



CRESTSTREET

Creststreet Windpower Development (II) LP

Quarterly Report > Q2 2006

Management's Discussion and Analysis

August 24, 2006

Forward-Looking Statements

Except for the historical and present factual information, certain statements contained in this Management's Discussion & Analysis ("MD&A") constitute "forward-looking statements" within the meaning of the *Securities Act* (Ontario). These forward-looking statements, by their nature, are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. The Creststreet Windpower Development II LP (the "Partnership") considers the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. Some of these risks and uncertainties as well as additional information are outlined in this MD&A.

The Partnership disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law. These cautionary statements expressly qualify all forward-looking statements attributable to the Partnership.

The following is a discussion of the financial condition and results of operations of the Partnership for the period ended June 30, 2006, and it should be read in conjunction with the Partnership's unaudited interim financial statements for the same period, along with the MD&A. Where we say "we," "us," or the "Partnership," we mean Creststreet Windpower Development II LP.

Overview

In March 2006, the Partnership raised \$3.290 million to invest in Canadian companies engaged in the development of commercial-scale windpower projects. A focus of the Partnership is to maximize financing expenditures that qualify as Canadian Renewable and Conservation Expenses ("CRCE") which are 100% tax deductible in the year incurred and that can be renounced to investors via flow-through shares. The Partnership entered into flow-through financing commitments of \$1.540 million in the second quarter of 2006 and invested in an additional \$350,000 flow-through investments subsequent to the second quarter. In aggregate, the Partnership has invested, committed or intends to invest \$1.9 million in wind energy companies. The remainder of the funds raised have been set aside for expenses of the Partnership.

The Partnership has invested in flow-through shares of two Canadian companies: Dokie Wind Energy Inc and Grand Valley Wind Farms Inc. Subsequent to June 30, 2006, it has invested in two additional Canadian companies: Buffalo Atlee Wind Energy Inc. and Bonavista Wind Power Inc. (together the "Wind Energy Companies"). The objective of the Partnership is to finance the development by Wind Energy Companies of projects that, upon completion, will produce wind energy and provide long-term cash flow and capital appreciation.

Management's Discussion and Analysis (cont'd)

The Dokie Wind Energy Inc. ("Dokie") project is situated in the Peace River region of British Columbia, in the foothills of the Rocky Mountains. This project is expected to have the potential for an installed capacity of up to 600 MW of renewable energy. After completing key development studies and accumulating further wind data at various locations on the site, Dokie submitted bids for two separate projects to acquire an Electricity Purchase Agreement ("EPA") with BC Hydro. Subsequent to the second quarter of 2006, Dokie was awarded a 20-year, fixed-price EPA with BC Hydro for its planned 180-megawatt project and shortly thereafter received its environmental assessment certificate, which allows the project to expand to up to 300 MW. It is anticipated that this project will be completed in the fall of 2009. In late August, Dokie completed a private placement of equity for \$9.6 million of Class A shares to raise money to fund development work on the project.

Grand Valley Wind Farms Inc. ("Grand Valley") is situated near Grand Valley, Ontario, and is expected to have the development potential for an installed capacity of up to 40 MW of renewable energy. Grand Valley has been developed to the extent that it is ready to bid for a PPA from the Ontario Power Authority. Grand Valley continues to pursue a power purchase agreement ("PPA") and expects a response in 2007.

4333233 Inc., renamed Buffalo Atlee Wind Energy Inc. ("Buffalo Atlee"), is situated near Brooks, Alberta, and is expected to have the development potential for an installed capacity of up to 360 MW of renewable energy. This site is at an early stage of development. Over the next year, preliminary development activities will be undertaken, including measuring the wind resource, investigating an interconnection, and various environmental and engineering studies.

The Bonavista Wind Power Inc. ("Bonavista") project is situated near Burnt Ridge, Newfoundland, and is expected to have the development potential for an installed capacity of up to 40 MW of renewable energy. Bonavista has been developed to the extent that it is ready to bid for a PPA from Newfoundland and Labrador Hydro. This bid will be placed in August 2006, and a response is expected in late 2006.

Results of Operations

For the period ended June 30, 2006, we earned \$13,297 in interest income on short-term investments, paid management fees of \$55,916, and incurred administrative costs of \$17,439, related to the operation of the Partnership. All of the Wind Energy Companies are in their development stages and have not started operations.

Financial Condition

> Liquidity

Cash and cash equivalents at June 30, 2006, amounted to \$1.506 million and was provided by the offering of limited partnership units of the Partnership less amounts expended on investments in Wind Energy Companies, issue costs of the offering and administrative expenses.

> Assets and Liabilities

At June 30, 2006, we had total assets of \$3.046 million. Total assets included \$1.540 million of long-term investments and net working capital of \$1.478 million.

**> Contractual Obligations**

As at June 30, 2006, the Partnership has entered into subscription agreements with the Wind Energy Companies to subscribe for Class A shares to fund the companies' development costs as follows:

| | Investment pursuant to subscription agreements | Amount advanced | Amount remaining to be advanced |
|--------------|---|--------------------|---------------------------------------|
| Dokie | \$ 1,240,000 | \$ 784,987 | \$ 455,013 |
| Grand Valley | 300,000 | 85,570 | 214,430 |
| | \$ 1,540,000 | \$ 870,557 | \$ 669,443 |

Related Party Transactions

Pursuant to joint venture agreements, Creststreet will earn monthly fees of \$6,500 for financial and administrative services from Dokie and Grand Valley, and the Joint Venture Partners will earn monthly fees of \$40,000 for services related to the development of projects at Dokie and Grand Valley. In addition, CCC and the Joint Venture Partners are entitled to reimbursement for certain out-of-pocket costs.

CCC is entitled to a monthly fee of \$15,000 in accordance with the Management Agreement for administrative services provided to the Partnership. From inception to the period ended June 30, 2006, fees paid to CCC were \$55,916.

The amounts paid to related parties by the Partnership as at June 30, 2006 were as follows:

| | June 30, 2006 |
|-----|--------------------------|
| CCC | \$ 55,916 |

The amounts paid to related parties by Dokie and Grand Valley as at June 30, 2006 were as follows:

| | June 30, 2006 |
|-------------------------|--------------------------|
| CCC | 39,000 |
| Earth First Energy Inc. | 262,135 |
| Land's End Corp. | 134,500 |
| | \$ 435,635 |

Change in Partners' Capital and Retained Earnings

As at June 30, 2006, the partners' capital and retained earnings amounted to \$3.018 million.

In March 2006, the Partnership completed its offering of limited partnership units raising gross proceeds of \$3.290 million. The Partnership paid agents' fees of \$164,500 and incurred \$47,149 in issue costs to complete the offering. For the period ended June 30, 2006, the net loss from operations amounted to \$60,058.

Management's Discussion and Analysis (cont'd)

Outlook

The Manager continues to evaluate attractive windpower projects for investment by the Partnership. We are pleased with the portfolio of high quality investments made to date and are working with our joint venture partners to develop the projects efficiently and expeditiously to completion.

Most notably, Dokie has made dramatic progress in advancing its major wind energy project in northeast BC. In July 2006, Dokie was awarded a 180 MW EPA with BC Hydro and shortly thereafter received its environmental certificate for up to 300 MW. The EPA was the largest windpower contract to be awarded in British Columbia. In late August, Dokie completed a private placement of equity for \$9.6 million of Class A shares to raise funds to finance development work on the project. It is currently expected that a liquidity process for Dokie will occur in the fall of 2007, given its current project plan.

The Partnership's investments are involved in four different provincial utility processes to acquire PPAs for five different windpower projects. Each process is highly competitive and subject to delays and changes; however, we are confident that our quality portfolio of windpower projects will succeed in several of these opportunities.

One of the biggest challenges facing the windpower industry today is obtaining turbines at competitive and economical prices on a timely basis. The Partnership is focused on working with manufacturers to obtain supply commitments at attractive prices. Lag times between bidding for PPAs from provincial utilities, being awarded a PPA and commencing construction also present challenges as other costs can vary during this period. Having already completed two wind energy projects and managing the construction of a third project gives us a significant competitive advantage over many competing developers. In addition, the current federal government is evaluating its support for renewable energy. While this process is expected to be positive for windpower, the uncertainty adds to the variables developers must consider when bidding for PPAs.

We expect our Dokie investment to generate a return by the end of 2007. This project offers early liquidity to our unitholders for a significant portion of their investment, and we expect to provide a complete liquidity event on the remainder of their investment by the end of 2008. We continue to develop projects to bring them to the construction stage within 12 to 18 months. We are excited about the windpower project opportunities in our portfolio today, and the progress we are making on bringing them to fruition.

Risks and Uncertainties

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 in 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.

There is, and it is expected that there will continue to be, only a limited number of Wind Energy Companies with viable wind power projects.

The General Partner will not necessarily require independent wind engineering, interconnection or other technical reports to be provided by a Wind Energy Company as a condition of subscribing for securities to be issued by that Wind Energy Company.

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



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.

The business activities of Wind Energy Companies are speculative and may be adversely affected by factors outside the control of those companies. The profitability of Wind Energy Companies (and correspondingly the value of investments held by the Partnership in such Wind Energy Companies) is likely to be subject to numerous operating risks, including construction risks, possible failure of the test phase of a windpower project, possible failure of a windpower project to be commercially viable, risk that expenditures do not qualify as CRCE, risk that PPAs, interconnection agreements or permits may be unachievable or terminated once obtained, risk of prices payable for energy under PPAs or otherwise by purchasers, risk that the construction debt facilities and further equity financing may be unavailable, risks related to turbine design and local climatic conditions, reliance on key customers and suppliers, risks related to the assessment, availability and variability of wind resources and associated wind energy production, liability for environmental damage, contract performance risks, insurance limits, *force majeure*, competition and government regulation.

The Partnership will invest primarily in securities of Wind Energy Companies, a focus which may result in the net asset value of the units being more volatile than portfolios with a more diversified investment focus.

The value of the Partnership's portfolio may fluctuate with underlying market prices for energy and interest rates.

A significant percentage of the Partnership 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.

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

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.

Management's Discussion and Analysis (cont'd)

Limited Partners may lose their limited liability in certain circumstances, including by 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.

> WPPI Risk

The 2005 federal budget provided \$200 million over five years and a total of \$920 million over 15 years to expand the WPPI program from 1,000 MW to 4,000 MW. Under the program, projects commissioned from April 1, 2002, to March 31, 2003, were eligible to receive an incentive payment of \$0.012 per kWh of production for the first 10 years of operation. Projects commissioned after March 31, 2003, and on or before March 31, 2006, were eligible to receive an incentive payment of \$0.01 per kWh of production for the first 10 years of operation, and projects commissioned after March 31, 2006, and on or before March 31, 2007, are eligible to receive an incentive payment of \$0.008 per kWh of production for the first 10 years of operation. The eligible production per project is determined by Natural Resources Canada. In October 2005, Natural Resources Canada issued a discussion paper on the possible expansion of WPPI. One of the proposed changes for any awards is to limit the incentive for any one project to a production level based upon a 30% capacity utilization factor. However, no further funding is available under the original WPPI program so that, absent expansion of the WPPI program, no WPPI payments would be available to Kettles Hill. Further information regarding the expanded WPPI program, including the eligibility requirements, therefore, is expected this fall. In the event that the Kettles Hill facility and the other wind projects do not qualify for WPPI under the expanded WPPI program, funding for the expanded WPPI program is not available or the expanded WPPI program is not implemented in the manner contemplated by the 2005 budget or at all, the revenue and income of the Partnership may be materially and adversely affected.

**Balance Sheet**

As at June 30, 2006

| (Unaudited) | June 30, 2006 |
|--|---------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$ 1,505,726 |
| | 1,505,726 |
| Long-term investment (Note 1) | 1,540,000 |
| | \$ 3,045,726 |
| Liabilities | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 11,383 |
| Due to related parties (Note 7) | 16,050 |
| | 27,433 |
| Partners' capital (Note 9) | 3,078,351 |
| Retained earnings | (60,058) |
| | \$ 3,045,726 |

See accompanying notes to interim financial statements.

Approved by Creststreet Windpower Development General Partner Limited as General Partner on behalf of Creststreet Windpower Development (II) LP

Robert J. Toole
Director

Eric McFadden
Director

Income Statements

From inception on March 17, 2006, to June 30, 2006

| (Unaudited) | From inception on March 17, 2006 to June 30, 2006 |
|--|---|
| Investment income | |
| Interest income | \$ 13,297 |
| Expenses | |
| Management fees (Note 7) | 55,916 |
| Administrative costs | 17,439 |
| | 73,355 |
| Net loss | \$ (60,058) |
| Retained earnings (deficit), beginning of period | - |
| Retained earnings (deficit), end of period | \$ (60,058) |
| Net loss per unit – basic and diluted | \$ (0.31) |
| Weighted average number of units | 190,856 |

See accompanying notes to interim financial statements.

Statements of Partners' Capital

From inception on March 17, 2006, to June 30, 2006

| (Unaudited) | From inception on March 17, 2006 to June 30, 2006 |
|--|---|
| Partners' capital – beginning of period | \$ - |
| Proceeds from issue of units | 3,290,000 |
| Payment of costs of issue | (47,149) |
| Payment of agents' fees | (164,500) |
| Partners' capital – end of period | \$ 3,078,351 |

See accompanying notes to interim financial statements.



Statements of Cash Flows

From inception on March 17, 2006, to June 30, 2006

| (Unaudited) | From inception on March 17, 2006 to June 30, 2006 |
|--|---|
| Net income (loss) | \$ (60,058) |
| Change in working capital | |
| Increase in accounts payable and accrued liabilities | 11,383 |
| Increase in amounts due to related parties | 16,050 |
| | (32,625) |
| Cash flows from financing activities | |
| Proceed from issue of units | 3,290,000 |
| Issue costs | (211,649) |
| | 3,078,351 |
| Cash flows from investing activities | |
| Increase in long-term investment | (1,540,000) |
| | (1,540,000) |
| Net decrease in cash | 1,505,726 |
| Cash and cash equivalents, beginning of period | - |
| Cash and cash equivalents, end of period | \$ 1,505,726 |
| Supplemental cash information | |
| Interest and cash taxes paid | \$ - |

See accompanying notes to interim financial statements.

Notes to Consolidated Financial Statements

From inception on March 17, 2006, to June 30, 2006

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 windpower projects. 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.

As at June 30, 2006, the Partnership has invested in flow-through shares of Dokie Wind Energy Inc. ("Dokie") and Grand Valley Wind Farms Inc. ("Grand Valley") that will construct and operate wind energy projects to generate electricity for sale to provincial electricity utilities.

The General Partner of the Partnership is Creststreet Windpower Development General Partner Limited ("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").

2. 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 Partnership:

a. Basis of Presentation

As at June 30, 2006, the Partnership owned 12.85% of the voting shares of Dokie and 19.38% of the voting shares of Grand Valley, and as such, does not control but has significant influence over Dokie and Grand Valley. Entities which are not controlled but over which the Partnership has the ability to exercise significant influence are accounted for using the equity method.

As at June 30, 2006, Creststreet Windpower Development LP ("CWDLP"), a related party of the Partnership, owned 76.10% of the voting shares of Dokie and 80.45% of the voting shares of Grand Valley (collectively these companies are referred to as the "Wind Energy Companies"). The Wind Energy Companies are variable interest entities as a result of the terms of their shares, and CWDLP has a variable interest in each of them and will receive the majority of the Wind Energy Companies' expected residual returns and will absorb the majority of the expected losses. As a result of applying the provisions of AcG-15 Variable Interest Entities, CWDLP is the primary beneficiary and has consolidated the results of the Wind Energy Companies in its financial statements.

b. Cash and Cash Equivalents

Cash equivalents are comprised of highly liquid investments having original terms to maturity of 90 days or less when acquired. Cash equivalents are valued at cost plus accrued interest, which approximates 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 will 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 value 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. Use of Estimates

The preparation of financial statements in accordance with GAAP 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 financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements (cont'd)**3. Cash Held in Escrow**

The Partnership entered into share subscription agreements to purchase \$1.240 million of shares of Dokie and \$300,000 of shares of Grand Valley 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 June 30, 2006, the amount held in escrow account of Dokie and Grand Valley totalled \$163,358.

4. Deferred Development

| | June 30, 2006 |
|---|--------------------------|
| Dokie | |
| Deferred development costs, beginning of period | \$ 2,737,561 |
| Development costs deferred | 1,056,663 |
| Deferred development costs, end of period | \$ 3,794,224 |
| Grand Valley | |
| Deferred development costs beginning of period | \$ 152,145 |
| Development costs deferred | 250,181 |
| Deferred development costs, end of period | \$ 402,326 |
| Total deferred development costs, end of period | \$ 4,196,550 |

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



5. Pre-operating Costs

| | June 30, 2006 |
|--|------------------|
| Dokie | |
| Pre-operating costs, beginning of period | \$ 85,386 |
| Pre-operating costs deferred | 66,866 |
| Pre-operating costs, end of period | \$ 152,252 |
| Grand Valley | |
| Pre-operating costs, beginning of period | \$ 1,061 |
| Pre-operating costs deferred | 74,506 |
| Pre-operating costs, end of period | \$ 75,567 |
| Total pre-operating costs, end of period | \$ 227,819 |

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

6. Commitments

As at June 30, 2006, the following commitments to purchase shares were made by the Partnership:

| | Investment pursuant to subscription agreements | Amount advanced | Amount remaining to be advanced |
|--------------|---|--------------------|---------------------------------------|
| Dokie | \$ 1,240,000 | \$ 784,987 | \$ 455,013 |
| Grand Valley | 300,000 | 85,570 | 214,430 |
| | \$ 1,540,000 | \$ 870,557 | \$ 669,443 |

CCC has 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 have 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.

Earth First Energy Inc. and Land's End Corp. (collectively the "Joint Venture Partners") and Creststreet Power Holdings Limited own Class B shares of the Wind Energy Companies. Holders of these shares are entitled to dividends based on performance of the Wind Energy Companies.

Notes to Consolidated Financial Statements (cont'd)

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, Creststreet will earn monthly fees of \$6,500 for financial and administrative services from Dokie and Grand Valley, and the Joint Venture Partners will earn monthly fees of \$40,000 for services related to the development of projects at Dokie and Grand Valley. In addition, CCC and the Joint Venture Partners are entitled to reimbursement for certain out-of-pocket costs.

CCC is entitled to a monthly fee of \$15,000 in accordance with the Management Agreement for administrative services provided to the Partnership. From inception to the period ended June 30, 2006, fees paid to CCC were \$55,916.

The amounts due to related parties by the Partnership as at June 30, 2006 were as follows:

| | June 30, 2006 |
|-----|--------------------------|
| CCC | \$ 16,050 |

The amounts due to related parties by Dokie and Grand Valley as at June 30, 2006, were as follows:

| | June 30, 2006 |
|-------------------------|--------------------------|
| CCC | 5,350 |
| Earth First Energy Inc. | 11,617 |
| | \$ 16,967 |

8. 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 and pursuant to the terms of flow-through share agreements. Accordingly, partners' capital will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Wind Energy Companies as a result of the renunciations, when the renunciations are made.



9. Sale of Units

As at June 30, 2006, the Partnership has issued 329,000 limited partnership units for a total consideration of \$3.290 million before the deduction of issuance costs.

10. Financial Instruments

At June 30, 2006, the carrying amount of cash, accounts payable and due to related parties approximated fair value due to their short-term nature.

11. 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 Partnerships 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 June 30, 2006, management does not believe that these indemnification provisions would require any material cash payment by the Partnership.

12. 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 LP

Directors of the General Partner

Eric McFadden

Managing Director
Creststreet Capital Corporation

Donna Shea, C.A.

Vice-President, Finance
Creststreet Capital Corporation

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

Officers of the General Partner

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Erich Ossowski

Vice-President
Windpower

Sheryl J. Chiddenton

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