



CRESTSTREET

Excellence

in Flow-through Investing



Q2 2004

Creststreet Power & Income Fund LP

Message to Unitholders

Creststreet Power & Income Fund LP (the "LP") reports continued progress in the second quarter of 2004. Substantial completion of the initial phase of construction was achieved at Mount Copper Wind Power Energy Inc. Project ("Mount Copper") near Gaspe, Quebec and the Pubnico Wind Farm Inc. Project ("Pubnico Point") near Yarmouth, Nova Scotia. The cost of Phase I including seven wind turbines and related infrastructure was funded by the LP's initial public offering of \$42.5 million completed on December 19, 2003. Most of the cost of Phase I qualifies for Canadian Renewable and Conservation Expense which can be written off 100% by Limited Partners.

To date, seven 1.8 Megawatt Vestas V80 wind turbines and related infrastructure have been constructed including roads, hydro lines and substations. Both Projects have been interconnected to their respective electricity grids and began delivering power to their respective provincial utilities customers. Total revenue of \$252,693 was earned during the period. Capital spending for the Projects during the quarter totalled \$28.2 million and the total expected cost of Phase I is \$43.2 million.

Both Projects have begun a 120 day test period. Upon satisfactory completion of the test period, construction of Phase II will commence to install and commission an additional 40 wind turbines. The LP has put in place a Construction Loan Facility to finance Phase II of its Mount Copper project with a syndicate of financial institutions and a Construction Loan Facility with the same financial institutions to finance Phase II of Pubnico Point is scheduled to close on September 8, 2004. The estimated cost to completion for both Projects is \$99 million, which has increased by \$6.8 million over original estimates. Most of the increase relates to Mount Copper where the planned connection to the nearby 161 kV transmission line in Quebec was switched by Hydro Quebec to a 69 kV transmission line resulting in cost increases and scheduling delays. Mount Copper presently expects 12 Phase II turbines to be substantially complete by the original December 31, 2004 schedule with the balance expected to be complete by March 31, 2005. The balance is made up of increased financing costs and other operational expenses.

We look forward to the completion of both Projects by the end of March 2005 at which time the Partnership expects to complete a treasury offering to pay down the Construction Loan Facility, to list units on a recognized Canadian stock exchange and then to commence monthly cash distributions to Limited Partners.

Creststreet continues to be excited about the growth of wind power in Canada. Wind power government initiatives are under way in several provinces as both the public and industry expand their recognition of the environmental benefits, growing productivity and cost effectiveness of wind power. Creststreet's windpower financing structure remains the premier financing vehicle for new windpower projects and the Partnership is committed to capitalizing on the growth opportunities available in Canada.

On behalf of Creststreet Power & Income Fund LP by its General Partner

A handwritten signature in black ink, appearing to read 'Eric McFadden', is positioned above the printed name and title.

Eric McFadden

President and Chief Executive Officer

Creststreet Power & Income General Partner Limited

August 2004

Management's Discussion and Analysis

Financial Condition

At June 30, 2004, Creststreet Power & Income Fund LP had total assets of \$58,281,867 compared to \$42,719,858 at December 31, 2003. Plant & equipment related to the Mount Copper and Pubnico Point wind energy projects totalled \$38,800,865, deferred charges totalled \$246,235 and deferred development costs had an ending balance of \$0 reflecting the reclassification to plant & equipment on the commencement of commercial operations during the second quarter of 2004. Phase I construction of the initial seven turbines was completed in May 2004, and amortization of Phase I plant & equipment has commenced. Further Phase I costs to be incurred subsequent to June 30, 2004 are approximately \$2.4 million. Phase II capital costs will continue to be capitalized until the completion of the installation of 40 additional turbines expected in the first quarter of 2005, the cost of which will be financed by a construction debt facility. The Phase I costs were funded primarily from cash held in escrow, which decreased by \$13,697,370 from \$28,982,363 at December 31, 2003 to \$15,284,993 at June 30, 2004. Net working capital, not including cash held in escrow, decreased \$13,529,926 from \$708,725 at December 31, 2003 to a deficit of \$12,821,201 at June 30, 2004 due to the accrual of plant and equipment, which had not yet been paid from cash held in escrow.

Results of Operations

Operations commenced upon substantial completion of Phase I at both Mount Copper and Pubnico Point wind energy projects. For the period ended June 30, 2004 the Partnership earned \$239,587 in revenue from power sales and \$13,106 in interest income on short-term investments, paid management fees of \$419,999, incurred administrative costs of \$338,095 and amortization of \$203,672 related to the operation of the partnership.

Change in Partners' Equity

For the period ended June 30, 2004, Partners' equity decreased by \$7,396,849 from \$36,424,470 at December 31, 2003 to \$29,027,621 at June 30, 2004. The decrease was due to a net loss from operations of \$709,073 and an increase in the future income tax liability of \$6,594,429. Future income taxes have been recorded based on the amount of Canadian Renewable and Conservation Expenses incurred to June 30, 2004 and are offset against Partners' equity to reflect the value of tax deductions flowed through to limited partners. Minority interest increased by \$352,928 from \$3,577,353 at December 31, 2003 due to the issue of share capital of Mount Copper and Pubnico Point of \$2,041,615 offset by an increase in future tax liability attributable to minority shareholders of Mount Copper and Pubnico Point of \$1,688,687.

Consolidated Balance Sheet

As at June 30, 2004 and December 31, 2003

	(Unaudited) June 30, 2004	(Unaudited) December 31, 2003
Assets:		
Current Assets		
Cash	\$ —	\$ 1,866,367
Cash held in escrow (Note 3)	15,284,993	28,982,363
Accounts receivable	3,929,928	1,290,519
Prepaid expense	19,846	—
	19,234,767	32,139,249
Deferred development costs (Note 4)	—	10,580,609
Deferred charges (Note 5)	246,235	—
Plant & Equipment (Note 6)	38,800,865	—
	\$ 58,281,867	\$ 42,719,858
Liabilities:		
Current Liabilities		
Bank Indebtedness	\$ 81,492	\$ —
Accounts payable and accrued liabilities	16,370,734	2,375,487
Due to related parties (Note 8)	318,749	72,674
	16,770,975	2,448,161
Future income tax liability (Note 9)	8,552,990	269,874
	25,323,965	2,718,035
Minority interest (Note 9)	3,930,281	3,577,353
Partners' equity (Note 9)	29,027,621	36,424,470
	\$ 58,281,867	\$ 42,719,858

See accompanying notes to consolidated financial statements

Approved by Creststreet Power & Income General Partner Limited as
General Partner on behalf of Creststreet Power & Income LP



Director



Director

Consolidated Statement of Operations

For the period from January 1 to June 30, 2004 and 2003

	(Unaudited) Six Months Ended June 30, 2004	(Unaudited) Six Months Ended June 30, 2003
Investment Income:		
Electricity Sales	\$ 239,587	\$ —
Interest Income	13,106	—
	252,693	—
Expenses:		
Management Fees (Note 8)	419,999	—
Amortization (Note 6)	203,672	—
Administrative Costs	338,095	—
Net Loss	\$ (709,073)	\$ —

Consolidated Statement of Partner's Equity

For the period from January 1 to June 30, 2004 and 2003

	(Unaudited) Six Months Ended June 30, 2004	(Unaudited) Six Months Ended June 30, 2003
Partners' Equity – Beginning of Period	\$ 36,424,470	\$ 10
Net Loss	(709,073)	—
Costs of Issue	(93,347)	—
Future income tax change (Note 9)	(6,594,429)	—
Partners' Equity – End of Period	\$ 29,027,621	\$ 10

See accompanying notes to financial statements

Consolidated Statement of Cash Flows

For the period from January 1 to March 31, 2004 and 2003

	(Unaudited) Six Months Ended June 30, 2004	(Unaudited) Six Months Ended June 30, 2003
Cash flow from operating activities		
Net loss	\$ (709,073)	\$ —
Add items not affecting cash:		
Amortization	203,672	—
Non – cash operating working capital:	(505,401)	—
Increase in accounts receivable	(2,639,409)	—
Increase in prepaid expense	(19,846)	—
Increase in accounts payable	13,995,247	—
Increase in amounts due to related parties	246,075	—
	11,076,666	—
Cash flows from financing activities:		
Issue of share capital by subsidiary to minority interest	2,041,615	—
Issue costs	(93,347)	—
	1,948,268	—
Cash flows from investing activities:		
Expenditure on deferred development costs	—	—
Increase in deferred charges	(246,235)	—
Additions to Plant & Equipment	(28,423,928)	—
	(28,670,163)	—
Net decrease in cash	(15,645,229)	—
Cash beginning of period	30,848,730	10
Cash, end of period	\$ 15,203,501	\$ 10
Cash is comprised of:		
Cash	(81,492)	10
Cash in escrow	15,284,993	—
	\$ 15,203,501	\$ 10

See accompanying notes to financial statements

Notes to Consolidated Financial Statements

June 30, 2004

1. Creststreet Power & Income Fund LP

Creststreet Power & Income Fund LP (the "Partnership") invested in Flow-Through Shares of two Canadian companies, Mount Copper Wind Power Energy Inc. ("Mount Copper") and Pubnico Point Wind Farm Inc. ("Pubnico Point"), that are constructing and will then operate wind energy projects to generate electricity for sale to provincial electricity utilities pursuant to long-term power purchase agreements.

The General Partner of the Partnership is Creststreet Power & Income General Partner Limited ("General Partner"). The General Partner has a 0.01 percent beneficial interest in the Partnership.

The Partnership has entered into an agreement dated December 11, 2003 with Creststreet Power & Income Management Limited ("the Manager") pursuant to which the Manager will perform certain management, administration and other services for the Partnership.

The General Partner and the Manager are wholly-owned subsidiaries of Creststreet Asset Management Limited.

2. Basis of presentation

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The preparation of the financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated statements. These interim period financial statements do not include all the disclosures required by generally accepted accounting principles and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Partnership's 2003 Annual Report.

3. Cash Held in Escrow

In 2003, the Partnership entered into flow-through share subscription agreements to purchase \$25,947,836 of shares of Mount Copper and \$7,965,250 of shares of Pubnico Point 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, 2004, the amount held in escrow was \$15,284,993.

4. Deferred Development Costs

Phase I

	June 30, 2004	December 31, 2003
Mount Copper		
Deferred development costs		
beginning of period	\$ 7,636,778	\$ 369,965
Development costs deferred	\$ 20,508,135	\$ 7,266,813
	\$ 28,144,913	\$ 7,636,778
Amount transferred to Property, Plant & Equipment	\$ (28,144,193)	\$ –
Deferred development costs, end of period	\$ –	\$ 7,636,778

	June 30, 2004	December 31, 2003
Pubnico Point		
Deferred development costs		
beginning of period	\$ 2,943,831	\$ –
Development costs deferred	\$ 7,915,793	\$ 2,943,831
	\$ 10,859,624	\$ 2,943,831
Amount transferred to Property, Plant & Equipment	\$ (10,859,624)	\$ –
Deferred development costs, end of period	\$ –	\$ 2,943,831
	\$ –	\$ 10,580,609

5. Deferred Charges

Financing costs are deferred and amortized on a straight-line basis over the term of related debt.

6. Property, Plant & Equipment

	June 30, 2004	December 31, 2003
Plant & Equipment		
Mount Copper	\$ 28,144,913	\$ –
Pubnico Point	\$ 10,859,624	\$ –
	\$ 39,004,537	\$ –
Less: accumulated depreciation	\$ 203,672	\$ –
	\$ 38,800,865	\$ –

During the second quarter of 2004 Mount Copper and Pubnico Point commenced commercial operations as part of Phase I of the wind energy projects. Therefore, the deferred costs associated with Phase I were reclassified from deferred development costs to Property, Plant & Equipment. These assets are being depreciated using the straight line basis over 20 years, which is the expected useful economic lives of the assets.

7. Commitments

Mount Copper's remaining commitment under the Engineering Procurement and Construction Agreement ("EPC Agreement") and the Warranty, Maintenance and Service Agreements ("WMS Agreement") with Vestas-Canadian Wind Technology for the period ending June 30, 2004 is \$2,442,373. At June 30, 2004, \$2,367,373 of this amount was held in escrow under a letter of credit in favour of Vestas. The letter of credit will expire the earlier of December 17, 2004 and the date the stated amount has been reduced to nil.

Pubnico Point's remaining commitment under the Engineering, Procurement and Construction Agreement ("EPC Agreement") and the Warranty, Maintenance and Service Agreement ("WMS Agreement") with Vestas-Canadian Wind Technology for the period ending June 30, 2004, is \$315,045. At June 30, 2004, \$290,045 of this amount was held in escrow under a letter of credit in favour of Vestas. The letter of credit will expire the earlier of December 17, 2004 and the date the stated amount has been reduced to nil.

8. Related Party Transactions

Amounts due to related parties as at June 30, 2004 are as follows:

	June 30, 2004	December 31, 2003
Due to the Manager	\$ 41,730	\$ –
Due to AWPC	\$ –	\$ 30,000
Due to 3Ci	\$ 277,019	\$ 42,674
	<u>\$ 318,749</u>	<u>\$ 72,674</u>

For the period ended June 30, 2004, fees paid to the Manager by Creststreet Power & Income Fund LP in accordance with the Management Agreement amounted to \$374,500. There were no amounts paid to the General Partner.

9. 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' equity will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by Mount Copper and Pubnico Point as a result of the renunciations, when the renunciations are made. Renunciations made during the first six months of 2004 resulted in a future tax liability of \$8,283,116.

10. Fair Value of Instruments

At June 30, 2004 the carrying amount of cash, accounts receivable, accounts payable and due to related parties approximates fair value due to their short-term nature.

Directors of the General Partner

J. Warren Kinsella*

Partner

Navigator Ltd.

Eric McFadden

Managing Director

Creststreet Capital Corporation

Robert S. McLeese *

President

Access Capital Corp.

D. Michael Stewart *

Principal

Ballinacurra Group

Robert J. Toole

Managing Director

Creststreet Capital Corporation

Officers of the General Partner

Eric McFadden, President and Chief Executive Officer

Donna Shea, Vice-President, Finance

Sheryl Chiddenton, Secretary Treasurer

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