



Auditors' Report to the Partners

We have audited the statements of net assets and investment portfolio of Creststreet Energy Hedge Fund L.P. as at December 31, 2005 and the statements of operations and changes in net assets for the period from April 30 to December 31, 2005. 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 net assets of the Partnership and its investments held as at December 31, 2005 and the results of its operations and changes in net assets for the period from April 30 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Toronto, Canada
March 23, 2006

Statement of Net Assets

As at December 31	2005
Assets	
Investments in securities (cost: \$4,728,855)	\$ 5,289,776
Cash and cash equivalents	2,190,256
Due from broker	808,421
Dividends receivable	6,000
Interest receivable	4,794
	\$ 8,299,247
Liabilities	
Securities sold short (proceeds: \$2,152,826)	\$ 2,178,676
Due to broker	455,527
Accounts payable and accrued liabilities	30,367
Dividends payable on securities sold short	17,535
Performance fee payable	3,819
	2,685,924
Net assets	\$ 5,613,323

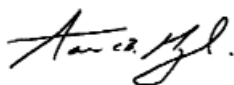
	Net assets	Units outstanding	Net asset value per unit
– Series I	\$ 1,951,187	135,000	\$ 14.45
– Series II	176,363	12,340	14.29
– Series III	1,718,998	120,331	14.29
– Series IV	510,707	35,653	14.32
– Series V	277,564	19,339	14.35
– Series VI	494,674	34,640	14.28
– Series VII	161,050	11,460	14.05
– Series 911	322,780	20,512	15.74
	\$ 5,613,323	389,275	

See accompanying notes to financial statements.

Approved by Creststreet Hedge General Partner Limited on behalf of Creststreet Energy Hedge Fund L.P.



Robert J. Toole
Director



Aaron C.B. Maybin
Director



Statement of Operations

For the period April 30 to December 31.	2005
Investment income	
Dividend income	\$ 58,425
Interest income	20,775
Other income	655
	79,855
Expenses	
Performance fees (note 3)	329,033
Dividend expense on securities sold short	55,462
Management fees (note 3)	53,855
Service fees (note 3)	10,624
Interest and borrowing fees	9,938
Legal fees	7,975
Audit fees	7,000
Unitholder reporting	2,333
Administrative expenses	1,772
	477,992
Loss from investment operations	\$ (398,137)
Realized and unrealized gain on investments	
Net realized gains and losses on investments	1,119,325
Net change in unrealized appreciation/depreciation of investments	535,071
Net gain on investments	1,654,396
Increase in net assets from operations	\$ 1,256,259
Increase (decrease) in net assets from operations comprised of	
– Series I	\$ 622,658
– Series II	52,613
– Series III	431,999
– Series IV	89,957
– Series V	30,064
– Series VI	(326)
– Series VII	12,550
– Series 911	16,744
Total	1,256,259
Increase (decrease) in net assets per unit from operations comprised of	
– Series I	4.61
– Series II	4.26
– Series III	3.59
– Series IV	2.52
– Series V	1.55
– Series VI	(0.01)
– Series VII	1.10
– Series 911	0.82

See accompanying notes to financial statements.

Statement of Changes in Net Assets

For the period April 30 to December 31	2005
Operations	
Increase in net assets from operations	\$ 1,256,259
Capital transactions	
Proceeds from issue of units	4,431,036
Redemptions	(32,722)
Issue costs (note 3)	(41,250)
Increase in net assets	5,613,323
Net assets, beginning of period	-
Net assets, end of period	\$ 5,613,323

See accompanying notes to financial statements.

**Statement of Investment Portfolio**

As at December 31, 2005	Number of securities	Type of security	Cost (proceeds)	Market value
Investments in securities				
Crew Energy Inc.	25,000	Common shares	\$ 398,225	\$ 467,500
Duvernay Oil Corp.	10,000	Common shares	368,282	442,300
West Energy Ltd.	52,500	Common shares	430,500	421,050
Rider Resources Inc.	20,000	Common shares	234,300	414,200
Technicoil Corporation	100,000	Common shares	342,000	390,000
ProspEx Resources Ltd.	105,000	Common shares	383,600	367,500
Accrete Energy Inc.	35,000	Common shares	347,550	348,250
Calfrac Well Services Ltd.	8,000	Common shares	278,568	322,400
NuVista Energy Ltd.	17,500	Common shares	322,875	315,875
Chamaelo Exploration Ltd.	40,000	Subscription receipts	270,000	306,000
Cyries Energy Inc.	20,000	Common shares	227,333	300,200
Prairie Schooner Petroleum Ltd.	12,500	Common shares	218,026	293,750
Penn West Energy Trust	7,500	Trust units	282,272	284,925
Progress Energy Trust	10,000	Trust units	174,085	171,700
Advantage Energy Income Fund	7,500	Trust units	174,863	168,225
Luke Energy Ltd.	34,125	Common shares	170,966	167,212
Real Resources Inc.	4,365	Common shares	105,410	108,689
Total investments in securities			\$ 4,728,855	\$ 5,289,776
Securities sold short				
Shiningbank Energy Income Fund	10,500	Trust units	\$ (302,545)	\$ (306,075)
Compton Petroleum Corp.	17,500	Common shares	(291,965)	(299,250)
PrimeWest Energy Trust	8,600	Trust units	(291,029)	(308,740)
Trilogy Energy Trust	10,500	Trust units	(258,765)	(249,900)
Thunder Energy Trust	17,500	Trust units	(211,517)	(210,000)
Algonquin Power Income Fund	20,000	Trust units	(204,210)	(209,000)
EnCana Corp.	3,500	Common shares	(180,539)	(183,960)
Connacher Oil and Gas Ltd.	45,500	Common shares	(178,578)	(174,720)
Imperial Oil Ltd.	1,050	Common shares	(118,283)	(121,180)
Northland Power Income Fund	7,770	Trust units	(115,395)	(115,851)
Total securities sold short			\$ (2,152,826)	\$ (2,178,676)

See accompanying notes to financial statements.

Notes to Financial Statements

For the period ended December 31, 2005

1. Creststreet Energy Hedge Fund L.P.

Creststreet Energy Hedge Fund L.P. (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on April 1, 2005. The Partnership commenced operations on April 30, 2005. The objective of the Partnership is to provide limited partners with long-term capital growth through fundamental securities selection by taking both long and short investment positions in equity, debt, and derivative securities and through strategic trading. The Partnership's portfolio will consist primarily of securities of issuers engaged in the global energy sector. The general partner of the Partnership is Creststreet Hedge General Partner Limited (the "General Partner").

2. Summary of Significant Accounting Policies

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

a. Cash and Cash Equivalents and Other Monetary Balances

The carrying values of cash and cash equivalents, due from and to broker, dividends receivable, interest receivable, accounts payable and accrued liabilities, dividends payable on securities sold short and performance fee payable approximate their fair values due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments Owned and Sold Short

Investments are valued at their market value. Securities listed on a recognized public securities exchange are valued at their closing sale price. Securities not traded on a valuation date are valued at the average of the closing bid and ask prices, or the latest available sale price. Securities for which no published market exists are valued at cost unless a different fair market value is determined by the General Partner. The difference between the current market value and the original cost is treated as an unrealized gain or loss. The change from period to period is reflected in operations as the "Net change in unrealized appreciation/depreciation of investments" on the statement of operations.

c. Investment Transactions and Income Recognition

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

d. Allocation of Partnership Income and Loss

The net profit and loss of the Partnership for each fiscal year is allocated 0.001% to the General Partner and 99.999% to the limited partners. The Partnership is not itself a taxable entity. Accordingly, no provision for income taxes is required.

e. 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.



3. Related Party Transactions

Creststreet Investment Management Limited (the “Manager”) is entitled to receive a management fee equal to 2% per annum of the net asset value of the Partnership on the last business day of the month, calculated and payable monthly in arrears. For the period ended December 31, 2005, the management fee amounted to \$53,855.

The Manager is also entitled to receive a performance fee equal to 20% of the increase in the net asset value (“NAV”) of each series of units in each month. The performance fee is calculated and accrued monthly and paid quarterly in arrears. If the NAV of a series does not exceed the relevant high water mark (as defined in the Limited Partnership Agreement) for that series, the Manager will not be entitled to a performance fee in respect of that series in that month. For the period ended December 31, 2005, the performance fee amounted to \$329,033.

The Fund pays a service fee to the Manager, who then remits the amounts to dealers as consideration for the dealers administering the Fund’s assets for the dealers’ clients. The service fee is calculated at a rate of 1.0% per annum of the Fund’s net asset value and is paid as soon as is practical after each calendar quarter based on the number of units held by dealers at the end of the relevant quarter. Service fees are paid to dealers each calendar quarter so long as the total NAV of the units held by such dealers’ clients is at least \$150,000 throughout the relevant quarter.

The Manager has provided the initial funding for organizational costs and is reimbursed by the Fund. Total organizational costs are expected to be approximately 1.0% of the gross amount of new subscriptions. The Fund incurred \$41,250 in organizational costs for the period ended December 31, 2005.

4. Brokerage Commissions

Total brokerage fees paid in connection with portfolio transactions for the period ended December 31, 2005 were \$186,650.

5. Filing Exemption

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

6. Subscriptions and Redemptions of Units

Units may be purchased as at the close of business on the last business day of each month following the receipt by the General Partner of a completed subscription form and the required payment no later than 4:00 pm on a valuation date.

Units must be held for at least six months from the date of purchase. Following the initial 6 month hold period, holders of units may request that such units be redeemed at their net asset value per unit at any valuation date, provided that the request for redemption is submitted at least 30 days prior to such valuation date.

Creststreet Hedge General Partner Limited

Board of Directors

Robert J. Toole, C.A.
Director and President

Eric C. McFadden
Director

Donna E. Shea, C.A.
Director and Chief Financial Officer

Aaron C.B. Maybin
Director and Vice-President,
Energy Investment Management

Officers

Robert J. Toole, C.A.
President and Chief Executive Officer

Donna E. Shea
Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin
Vice-President,
Energy Investment Management

Sheryl Chiddenton
Secretary and Treasurer

Prime Broker

Scotia Capital Inc.
Toronto, Ontario

Legal Counsel

McMillan Binch LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario

Toronto Office

Creststreet Energy Hedge Fund L.P.
70 University Avenue, Suite 1450
Toronto, Ontario
M5J 2M4

Tel: (416) 864-6330
Toll-free: 1 866 864-6330
Fax: (416) 862-8950
E-mail: info@creststreet.com
www.creststreet.com