



CRESTSTREET

# Oil+Gas

2006 CORPORATE PROFILE



OIL > GAS > WIND

## Excellence

in energy investing

## CORPORATE PROFILE

CRESTSTREET SPECIALIZES IN STRUCTURING AND MANAGING HIGH-QUALITY ENERGY INVESTMENT PRODUCTS FOR CANADIAN AND INTERNATIONAL INSTITUTIONAL AND HIGH NET WORTH INVESTORS. CRESTSTREET HAS TWO PRINCIPAL BUSINESS UNITS: ENERGY INVESTMENT MANAGEMENT AND WINDPOWER PROJECT FINANCING, CONSTRUCTION AND OPERATIONS. SINCE ITS INCEPTION IN 2000, CRESTSTREET HAS RAISED OVER \$640 MILLION FOR INVESTMENT IN RESOURCE AND RENEWABLE ENERGY COMPANIES.



CRESTSTREET

# Oil +

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> Energy is becoming an increasingly important part of our everyday lives. Tightening energy supply fundamentals coupled with steady growth in global demand will lead to substantial growth in companies involved in all facets of the energy sector in the years ahead. As a leading energy investment management firm in Canada, Creststreet is uniquely positioned to capitalize on this opportunity by leveraging our extensive knowledge of the natural gas, oil and renewable energy sectors to create long-term value for our investors.

# Gas

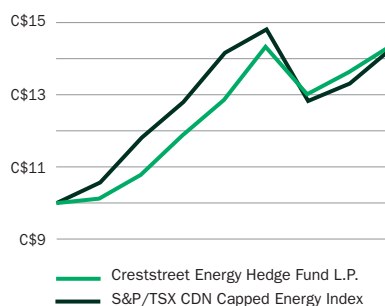


excellence in  
**energy investment**  
 management



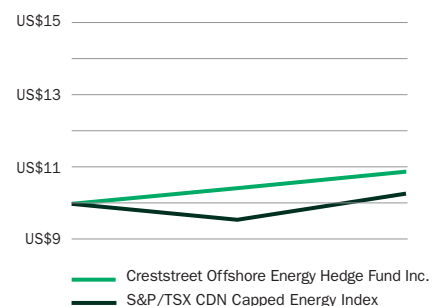
**Creststreet Energy Hedge Fund L.P.**  
**Performance Since Inception**

(May 31 2005 to December 31, 2005)  
 (In C\$)



**Creststreet Offshore Energy Hedge Fund Inc.**  
**Performance Since Inception**

(October 1, 2005 to December 31, 2005)  
 (In US\$)



Creststreet has consistently delivered strong performance across all its energy investment products by continuing to follow a conservative, disciplined, long-term value approach to investing.

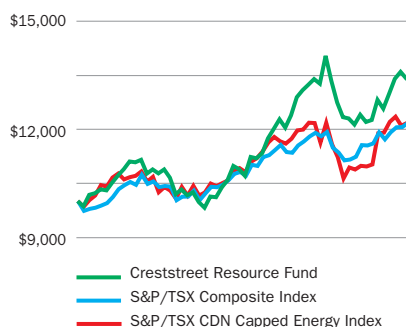
## Strong Flow-through Performance

Partnership	Fund size	Total After-Tax Return <sup>(1)</sup>	Annualized After-Tax Return <sup>(1)</sup>
Creststreet 2000 LP	\$10,000,000	230%	24%
Creststreet 2001 LP	\$17,800,000	225%	29%
Creststreet 2001 (II) LP	\$15,000,000	259%	36%
Creststreet 2002 LP	\$35,000,000	173%	32%
Creststreet 2003 LP	\$34,829,200	140%	38%
Creststreet 2003 (II) LP	\$25,000,000	106%	39%
Creststreet 2004 LP	\$46,176,950	98%	50%
Creststreet 2005 LP	\$54,281,650	37%	48%
<b>Average</b>	<b>-</b>	<b>158%</b>	<b>37%</b>

<sup>(1)</sup>Total and annualized after-tax returns, as at January 20, 2006 (including provision for future capital gains tax payable), for an individual in Ontario taxable at the highest marginal rate.

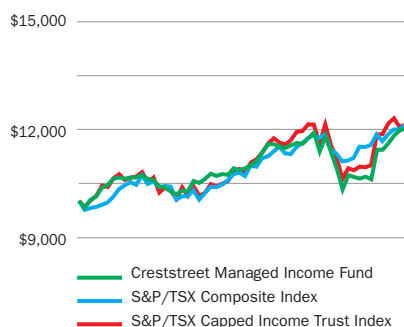
### Creststreet Resource Fund One-Year Performance

(December 31, 2004 – December 30, 2005)  
Value of \$10,000 invested



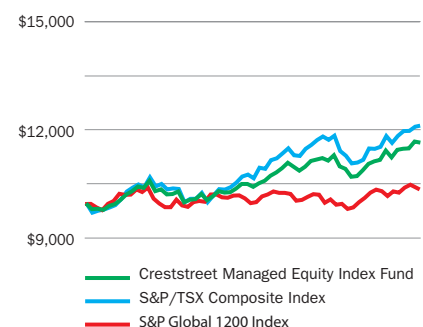
### Creststreet Managed Income Fund One-Year Performance

(December 31, 2004 – December 30, 2005)  
Value of \$10,000 invested



### Creststreet Managed Equity Index Fund One-year Performance

(December 31, 2004 to December 30, 2005)  
Value of \$10,000 invested



## Message to Creststreet Investors

In 2005, Creststreet continued to deliver strong returns to investors across its energy investment fund portfolios. Since Creststreet's inception in 2000, we have maintained a disciplined, long-term focus on the Canadian energy sector. This focus has been based on our view that energy supplies, particularly for North American natural gas, will become increasingly constrained in the years ahead as declining historical, long-life energy reserves are replaced by new, higher-decline, shorter-life, higher-cost production.

> The soundness of this long-term outlook was clearly demonstrated in 2005 as energy prices spiked to record highs when these longer term pressures were amplified by two devastating hurricanes that battered the U.S. gulf coast and its energy production and transportation infrastructure. As a result, oil prices peaked at US\$69.81 Bbl in late August, and natural gas spiked to US\$15.38/mmbtu in mid December. Natural gas prices recently traded down from this peak to the US\$6 to US\$7/mmbtu range, which is more in line with the long-term trend established prior to the price bubble created by these short-term weather related events of 2005.

We expect the first half of 2006 to be a period of consolidation as the excesses of 2005 work their way through the markets and equity valuations. We also expect the long-term upward trend in energy prices to re-establish itself in the second half of 2006, which should begin to drive energy equity valuations higher.

Creststreet maintains its favourable outlook on energy prices, particularly natural gas, for the next three to five years. We will continue to weight our investment portfolios to high-quality natural gas focused exploration companies accordingly.

# Creststreet Energy Hedge Funds

> In 2005 Creststreet expanded its proven energy investment management platform into a series of hedge fund products focused on the energy sector. These funds employ a long/short strategy that seeks to generate returns by focusing on specific movements in equity prices of companies operating in the energy sector. In May 2005, we launched the Creststreet Energy Hedge Fund L.P. for accredited investors resident in Canada. Through to December 31, 2005, this fund generated a total return of 45%.

In November 2005, Creststreet launched the Creststreet Offshore Energy Hedge Fund Inc. for non-resident and non-U.S. institutional investors. In early 2006 we launched the Creststreet RSP Energy Hedge Fund which is eligible for registered retirement accounts of accredited investors resident in Canada. All of these energy hedge funds take full advantage of Creststreet's proven execution capability and in-depth knowledge of the energy sector. All Creststreet hedge funds have identical investment portfolios and are managed by Creststreet on a pari passu basis.

**45%\***  
total return since inception



\* Creststreet Energy Hedge Fund L.P. (April 30, 2005 to December 31, 2005)

# Creststreet Energy Flow-through Funds

> In February 2005, the Creststreet 2005 Limited Partnership completed its initial public offering of units raising over \$54 million for investment in flow-through shares of Canadian energy companies. We invested all of the proceeds of this offering by December 31, 2005, generating tax deductions applicable to the 2005 taxation year for limited partners equal to 100% of their original investment. This fund is scheduled to roll into the Creststreet Resource Fund in January 2007.

In January 2006, the assets of the Creststreet 2004 Limited Partnership were exchanged for shares of the Creststreet Resource Fund. At the time of rollover, the net asset value of this partnership's units was \$13.26, making it one of the best performing public flow-through funds to date in Canada. At this net asset value, investors earned a total after-tax return of 98%, based on an Ontario investor who is taxed at the highest personal marginal rate.

We recently launched the Creststreet 2006 Limited Partnership offering which was capped at \$40 million. Creststreet intentionally limits the size of its flow-through offerings to allow it to maintain selectivity of high-quality energy companies with larger market capitalizations, strong cash flows and good share trading liquidity. Creststreet's disciplined flow-through investment approach has produced an unparalleled performance track record in Canada.

# 37%\*

average annualized after-tax return

\* As at January 20, 2006 (including provision for future capital gains tax payable), for an individual in Ontario, for eight initial Creststreet flow-through limited partnerships.

# Creststreet Mutual Funds

- > Creststreet Resource Fund, the energy focused mutual fund managed by Creststreet, continued to deliver yet another year of strong returns for investors. As of January 20, 2006, the Creststreet Resource Fund yielded a one-year return of 34% and a three-year annualized return of 38%.

In 2005, Creststreet Mutual Funds introduced the Creststreet Managed Income Fund and the Creststreet Managed Equity Index Fund, giving our investors the option to diversify their portfolios by transferring assets between funds on a tax-deferred basis. As at December 31, 2005, the Creststreet Managed Income Fund had generated a one-year return of 21%, while the Creststreet Managed Equity Index Fund posted a return of 17%.

**38%\***  
3-year annualized return

\* Creststreet Resource Fund (as at January 20, 2006).





# excellence in windpower

Creststreet has industry-leading expertise in the science of wind measurement as well as the ability to assess the quality and economic viability of potential windpower development sites, evaluate the suitability and efficiency of various wind turbine technologies, and develop highly innovative project financing strategies.

To date, the Creststreet Power & Income Fund LP has two operating wind energy projects in Quebec and Nova Scotia. Creststreet also has a pipeline of more than 1,000 megawatts in development or construction, including the Kettles Hill wind energy project which is set to complete its construction phase in the fall of 2006.

As additional wind energy projects are financed by future Creststreet construction stage limited partnerships, we expect to provide an attractive liquidity option to investors in those projects while increasing distributions and enhancing the diversification of the Creststreet Power & Income Fund LP. We are excited about the future of windpower in Canada, and we believe in the quality of the wind energy project pipeline that we have targeted for development in the next several years.

**outlook** > Creststreet is well positioned to continue to deliver strong results across all our energy investment products in 2006.

This year, we will continue to focus our efforts on growing our energy hedge fund business. Creststreet also plans to enter the energy income fund management business where we can leverage our proven energy investment expertise to generate superior returns for investors seeking a stable, energy focused income stream.

Creststreet's windpower business is also poised to grow again in 2006. Over the course of the year, we expect to offer a second private placement for windpower development as well as a third construction stage windpower flow-through fund.

Creststreet's consistent, strong investment performance across all our product areas is founded on our conservative, disciplined, value approach to investing. This focus on quality is core to our long-term values and will remain the cornerstone that Creststreet is built upon in the years ahead.



Robert J. Toole, MANAGING DIRECTOR  
Creststreet Capital Corporation  
MARCH 2, 2006





CRESTSTREET

**Board of Directors**

**J. Paul Charron**  
President and Chief Executive Officer  
Canetic Resources Trust

**Stuart P. Hensman**  
Corporate Director

**Larry J. MacDonald**  
Chairman  
Point Energy Inc.

**Robert J. Toole, C.A.**  
Managing Director  
Creststreet Capital Corporation

**Officers**

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President and Chief Executive Officer

**Donna Shea, C.A.**  
Vice-President, Finance and  
Chief Financial Officer

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

**Sheryl J. Chiddenton**  
Secretary and Treasurer

**Fund Symbols**

CAM 100, CAM 105, CAM 200, CAM 300,  
CAM 901, CAM 902, CAM 903, CAM 904,  
CAM 905, CAM 906, CAM 907, CAM 908,  
CAM 909, CAM 910, CAM 911, CAM 912,  
CAM 990

**Auditors**

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Toronto, Ontario

**Legal Counsel**

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Toronto, Ontario

McMillan Binch Mendelsohn LLP  
Toronto, Ontario

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**Investor Inquiries**

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## 2005 > Annual Report

### Management Report of Fund Performance

For the period ended December 31, 2005

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND THE COMPLETE ANNUAL REPORT OF CRESTSTREET 2005 LIMITED PARTNERSHIP (THE "PARTNERSHIP").

UNITHOLDERS MAY CONTACT US BY WRITING TO US AT CRESTSTREET 2005 LIMITED PARTNERSHIP, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ONTARIO, M5J 2M4, OR BY VISITING OUR WEBSITE AT [WWW.CRESTSTREET.COM](http://WWW.CRESTSTREET.COM) TO REQUEST A COPY OF THE PARTNERSHIP'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

### Investment Objectives and Strategies

The investment objective of the Partnership is to invest in the flow-through securities of companies engaged in oil and gas, mining, or renewable energy exploration and development in Canada.

The Partnership's portfolio is managed with the aim of capital preservation and appreciation of the Partnership's investments. The Partnership looks to invest in flow-through securities that represent good value in relation to their market price and the intrinsic value of the issuer's shares, and in companies that have experienced and proven management teams. These companies should have a strong exploration program or renewable energy project in place that offers the potential for future growth. The Partnership has the following investment guidelines in place that govern investing activities:

**Resource Issuers** – The Partnership invests substantially all of its funds in the flow-through securities of companies engaged in oil and gas, mining, or renewable energy exploration and development in Canada. To the extent that the Partnership disposes of these securities (for example, if a takeover bid is made for such securities), the Partnership may reinvest the net proceeds in securities of other resource issuers, including flow-through securities, or may use the net proceeds to exercise warrants.

**Exchange Listing** – The Partnership must invest a minimum of 80% of funds in flow-through securities of resource issuers that are listed on the TSX or on the TSX Venture Exchange.

**Market Capitalization** – 50% of the Partnership's investments must be in flow-through shares of resource issuers whose market capitalization is at least \$50 million at the time of purchase.

**Private Companies** – The Partnership may invest up to 20% of its funds in resource issuers that are not publicly traded.

**Diversification** – The Partnership may not purchase securities of any one issuer if that purchase would result in a position that is greater than 10% of the Partnership's net asset value at the time of purchase; however, the Partnership may invest up to 20% of its net asset value (determined at the time of purchase) in resource issuers with a market capitalization of more than \$50 million per issuer, and may invest up to 30% of its net asset value in resource issuers with a market capitalization of more than \$100 million.

## Management Report of Fund Performance (cont'd)

**No Control** – The Partnership may not purchase securities of a reporting issuer for the purposes of exercising control or management of such issuer. The Partnership may not purchase more than 10% of the voting securities of any issuer.

### Risk

No major or significant changes in fiscal 2005 had an impact on the overall risk level of any investments in the Partnership. The investment philosophy, style and method for the Partnership remain unchanged.

### Results of Operations

- > During 2005, global energy markets experienced another strong year, rallying on the basis of increased demand, disruptions to supply and a mix of heightened geopolitical tensions and instability in producing regions. NYMEX crude oil (light sweet) prices increased from US\$43.45/Bbl at the end of 2004 to US\$61.04/Bbl at the end of 2005, averaging US\$56.59/Bbl. NYMEX natural gas prices also strengthened during the year, from US\$6.15/mmbtu to US\$11.23/mmbtu, averaging US\$9.01/mmbtu.
- > Crude oil prices hit a high of US\$69.81/Bbl on August 30, 2005, coinciding with Hurricane Katrina's landfall on the Gulf Coast in the United States. The record-setting 2005 North American hurricane season caused significant disruptions to oil and natural gas production, refining and infrastructure, and drove prices higher. Natural gas prices jumped to US\$13.91/mmbtu on September 28, 2005, after Hurricane Rita hit the Gulf Coast. However, with concern over adequate storage levels of natural gas in North America for the approaching winter, prices hit an all-time high of US\$15.38/mmbtu on December 13, 2005.
- > Strong commodity prices helped drive the S&P/TSX CDN Capped Energy Index up 59.7% in 2005, as increased interest in the Canadian energy sector caused a large inflow of capital, especially into the large-market capitalization companies and the oil sands sector.
- > In March 2005 the Partnership completed its initial public offering, raising a total of \$54,281,650 for investment in flow-through shares of Canadian resource companies. With over \$1 billion raised for investment in flow-through shares by the industry in 2005, the General Partner limited the size of the offering to ensure that funds would be allocated towards natural gas-focused issuers with larger market capitalizations and good trading liquidity, while maintaining strong premium discipline. Prior to the end of 2005, the Partnership invested the net proceeds of the offering in a portfolio consisting of 32 resource companies, with a weighted average market capitalization of \$850 million and a weighted average exposure to natural gas production of over 60%.
- > Since its inception in 2000, it has been Creststreet's view that natural gas production in North America is becoming increasingly constrained. Historical long-life reserves are being depleted and it is becoming increasingly difficult for natural gas producers to offset this falling production with new high-decline, shorter life production. Creststreet has again positioned this Partnership to deliver strong returns by maintaining a disciplined, long-term focus on investing in Canadian natural gas exploration and production companies.
- > Since the Partnership commenced operations on March 30, 2005, the General Partner cannot offer a comparison of results of operations. Interest income for the period consists of interest earned on funds on deposit while the Partnership completed investments in flow-through shares of Canadian energy and resource issuers. The Partnership was fully invested at December 31, 2005, and had \$175,659 in cash on hand. The General Partner expects that the Partnership's funds will remain invested and that interest income will be marginal in 2006.



- > The Partnership incurred expenses totaling \$1,118,764 for the period. The Partnership's largest single expense item is partnership advisor fees, which are calculated as 2.0% per annum of the Partnership's net asset value ("NAV"), calculated monthly and paid to the Partnership Advisor in arrears. The Partnership has negotiated a loan facility allowing it to borrow an amount to pay agents' fees and other issue costs, enabling the Partnership to maximize its investment in flow-through shares. The Partnership pays interest costs on the facility at the bank's prime rate. Interest expense for the period was \$142,567, and the loan balance at December 31, 2005, was \$4,184,399. The Partnership has paid all of its issue costs and the General Partner does not expect there to be any change in the balance of the loan facility until the dissolution of the Partnership, at which time the facility will be paid in full and discharged. The General Partner expects a marginal decrease in operating expenses in 2006 due to a reduction in marketing costs, and a marginal increase in legal costs associated with the Partnership's rollover to Creststreet Mutual Funds Limited. Other expenses are expected to remain at a relatively constant level for the duration of the Partnership.

### Recent Developments

There are no recent developments to report.

### Related Party Transactions

Partnership advisor fees are paid to Creststreet Asset Management Limited (the "Partnership Advisor") for the management of the Partnership's day-to-day operations. The advisor fee is 2.0% of the Partnership's NAV calculated and paid monthly in arrears.

### Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance since its inception. This information is derived from the Partnership's audited annual financial statements.

#### The Partnership's Net Asset Value (NAV) per Unit

	<b>2005</b>
Net asset value, beginning of period	<b>\$ 10.00</b>
<b>Increase (decrease) from operations</b>	
Total revenue	<b>0.12</b>
Total expenses	<b>(0.20)</b>
Realized gain on investments	<b>0.13</b>
Unrealized loss on investments	<b>(0.26)</b>
Total decrease from operations <sup>(1)</sup>	<b>(0.21)</b>
<b>Net asset value at December 31<sup>(2)</sup></b>	<b>\$ 9.01</b>

(1) Net asset value is based on the actual number of units outstanding at the relevant time. The decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) These calculations are prescribed by securities regulators and are not intended to be a reconciliation between the opening and closing net asset value per unit.

## Management Report of Fund Performance (cont'd)

### Ratios and Supplemental Data

	<b>2005</b>
Net assets (000s) <sup>(4)</sup>	<b>\$ 48,935</b>
Number of units outstanding <sup>(1)</sup>	<b>5,428,165</b>
Management expense ratio (MER) <sup>(2)</sup>	<b>3.35%</b>
Portfolio turnover rate <sup>(3)</sup>	<b>11.89%</b>
Trading expense ratio <sup>(4)</sup>	<b>0.06%</b>

- (1) This information is provided as at December 31 of the year shown.
- (2) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (3) The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

### Management Fees

The Partnership Advisor provides investment and administrative services to the Partnership. In consideration for these services, the Partnership pays the Partnership Advisor a partnership advisor fee equal to 2.0% per annum of the net asset value of the Partnership, calculated and payable monthly in arrears. GST is paid on all partnership advisor fees. Partnership advisor fees totaled \$797,454 for the period ended December 31, 2005.

### Past Performance

The performance information does not take into account fees for sales, redemptions, distributions, or other optional charges that would have reduced returns or performance, nor does it take into account any tax benefits realized by investors. The Partnership's performance is not necessarily indicative of its future performance. These performance numbers are provided on a nominal basis to conform with securities regulations and do not account for any income tax benefits an investor would have received as a result of an investment in the Partnership. The performance data presented here should not be compared to performance data provided in the Partnership's sales and marketing materials, as these publications provide returns on an after-tax basis assuming an investor is an Ontario resident in the highest marginal tax bracket.

### Year-by-Year Returns

The Partnership commenced operations on March 30, 2005. Since the Partnership has not been in operation for a full financial period, a bar chart illustrating year-by-year returns cannot be provided.

**Annual Compound Returns**

The following table shows the Partnership's performance since inception compared with the S&P/TSX CDN Capped Energy Index and the S&P/TSX Composite Index.

	Creststreet 2005 LP	S&P/TSX CDN Capped Energy Index	S&P/TSX Composite Index
Since inception	(12.9%)	50.0%	23.4%

**About the Indices and Fund Performance**

The S&P/TSX Composite Index comprises approximately 71% of market capitalization for Canadian-based Toronto Stock Exchange listed companies and is designed to track the performance of the Canadian equity market as a whole. The S&P/TSX CDN Capped Energy Index is comprised of shares of Canadian companies involved in exploration and/or the production of energy resources and is designed to track the performance of the energy sector.

Strong commodity prices helped drive the S&P/TSX CDN Capped Energy Index up 59.7% in 2005, as increased interest in the Canadian energy sector caused a large inflow of capital, especially into the large-market capitalization companies and the oil sands sector.

In 2005, the Partnership had a return of -12.9%. The Partnership's negative return is due in large to the payment of agents' fees and issue costs in 2005 which reduced the Partnership's net asset value per unit by approximately \$0.77. The Partnership has focused its portfolio on small and middle market capitalization companies engaged in the exploration and production of oil and natural gas in Canada, as these companies have historically generated strong per share returns. The Partnership has delivered these strong returns by maintaining a disciplined, long-term focus on investing in Canadian natural gas exploration and production companies. Since the Partnership is required to invest in flow-through shares which are issued at a premium to the market price of the common shares due to the tax-saving benefits attributed to the purchaser, it is not meaningful to analyze or compare the portfolio performance without considering all Canadian tax implications.

**Summary of Investment Portfolio**

As at December 31, 2005

Total % of net assets

**Investments in long positions**

Equity securities	103.16%
Private companies	5.32%
Cash and cash equivalents	0.36%
Other net assets	(8.84%)
	<b>100.00%</b>

**Management Report of Fund Performance** (cont'd)**Top 25 Positions**

As at December 31, 2005	Cost	Market value	% of net assets
Duvernay Oil Corp.	\$ 7,950,000	\$ 9,288,300	18.98%
Kereco Energy Ltd.	3,640,000	3,978,000	8.13%
Berens Energy Ltd.	3,097,500	3,727,500	7.62%
Crew Energy Inc.	4,159,200	3,240,710	6.62%
Chamaelo Exploration Ltd.	3,502,500	3,189,573	6.52%
Redstar Oil & Gas Inc.	3,174,600	2,837,900	5.80%
Opti Canada Inc.	3,150,000	2,290,200	4.68%
Tusk Energy Corp.	2,221,800	2,141,392	4.38%
Mission Oil & Gas Inc.	2,500,000	1,852,500	3.79%
West Energy Ltd.	1,343,750	1,724,300	3.52%
Anderson Energy Ltd.	1,720,000	1,666,250	3.41%
Bear Ridge Resources Ltd.	1,735,000	1,560,000	3.19%
Prairie Schooner Petroleum Ltd.	1,305,850	1,527,500	3.12%
Flagship Energy Inc.	1,018,000	1,242,790	2.54%
Paramount Resources Ltd.	850,000	1,236,000	2.53%
Alberta Clipper Energy Inc.	1,430,800	1,124,200	2.30%
ProspEx Resources Ltd.	1,305,000	1,050,000	2.15%
White Fire Energy Ltd.	1,192,500	1,012,500	2.07%
Clear Energy Inc.	1,128,500	980,500	2.00%
Great Plains Explorations Inc.	1,069,500	955,650	1.95%
Delphi Energy Corp.	1,108,250	881,950	1.80%
Morpheus Energy Corp.	672,000	672,000	1.37%
Stylus Energy Inc.	733,500	622,660	1.27%
Sebring Energy Inc.	600,000	600,000	1.23%
Temple Energy Inc.	570,000	570,000	1.16%
<b>Total portfolio</b>	<b>\$ 54,516,200</b>	<b>\$ 53,083,938</b>	<b>108.48%</b>
<b>Total net asset value</b>		<b>\$ 48,934,662</b>	

The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 864-6330, by writing to us at Creststreet 2005 Limited Partnership, 70 University Avenue, Suite 1450, Toronto, Ontario, M5J 2M4, or by visiting our website at [www.creststreet.com](http://www.creststreet.com).



## Other Material Information

In May 2006, Creststreet Capital Corporation (“CCC”) intends to acquire control of Creststreet Holdings Limited (“CHL”), a related Creststreet company, through a common share exchange as part of an internal restructuring of the Creststreet group of companies. The Partnership Advisor is a wholly-owned subsidiary of CHL. This acquisition will not result in any change in directors, management personnel, or operations of the Partnership Advisor, and is not expected to have any material impact on the Partnership in any way. Upon the common share exchange, the directors and senior officers of the Partnership Advisor will indirectly beneficially own in the aggregate, approximately 70% of the Partnership Advisor.

## Conflict of Interest

The Partnership Advisor is a wholly-owned subsidiary of Creststreet Holdings Limited. The Partnership Advisor is related to another registrant, Creststreet Investment Management Limited (“CIML”). CIML was formed to pursue new business opportunities that require the services of a registered investment counselor/portfolio manager. All new business opportunities which require the services of a registered portfolio manager will be advised by CIML. The existing advisory clients of the Partnership Advisor will continue to be advised by the Partnership Advisor. As a result, there is no conflict of interest between CIML and the Partnership Advisor.

## Management's Responsibility for Financial Reporting

These financial statements form the basis for all of the financial information that appears in this annual report. The financial statements and all of the information in this annual report are the responsibility of the management of Creststreet 2005 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, results of operations and changes in net assets. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

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



**Robert J. Toole**  
President  
Chief Executive Officer  
Creststreet 2005 General Partner Limited  
February 24, 2006



**Donna Shea**  
Vice-President, Finance  
Chief Financial Officer  
Creststreet 2005 General Partner Limited



## Auditors' Report to the Partners

We have audited the statements of net assets and investment portfolio of Creststreet 2005 Limited Partnership as at December 31, 2005 and the statements of operations, changes in net assets and cash flows for the period from March 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, changes in net assets and its cash flows for the period from March 30 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

**Chartered Accountants**

Toronto, Canada  
February 24, 2006

## Statement of Net Assets

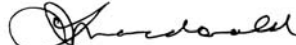
As at December 31	2005
<b>Assets</b>	
Investments at market value	\$ 53,083,938
Cash and cash equivalents	175,659
Due from broker	400
	53,259,997
<b>Liabilities</b>	
Accounts payable and accrued liabilities	140,936
Loan payable (note 3)	4,184,399
	4,325,335
<b>Net assets</b>	\$ 48,934,662
Units outstanding	5,428,165
<b>Net asset value per unit</b>	\$ 9.01

See accompanying notes to financial statements.

Approved by Creststreet 2005 General Partner Limited on behalf of Creststreet 2005 Limited Partnership



**Robert J. Toole**  
Director



**Larry J. Macdonald**  
Director



## Statement of Operations

For the period from  
March 30 to December 31,  
2005

<b>Investment income</b>	
Interest income	\$ 677,837
<b>Expenses</b>	
Partnership advisor fees (note 5)	797,454
Interest expense	142,567
Operating expenses	63,350
Unitholder reporting	38,385
Directors' fees	36,955
Legal and filing fees	26,053
Audit fees	14,000
	<b>1,118,764</b>
Loss from investment operations	<b>(440,927)</b>
<b>Realized and unrealized gain (loss) on investments</b>	
Cost of investments, beginning of period	-
Investments purchased during the period	56,596,200
	<b>56,596,200</b>
Cost of investments, end of period	<b>54,516,200</b>
Cost of investments sold	2,080,000
Proceeds of investments sold	2,790,600
Net realized gain on sale of investments	710,600
Change in unrealized depreciation of investments	(1,432,262)
Net loss on investments	<b>(721,662)</b>
<b>Decrease in net assets from operations</b>	<b>\$ (1,162,589)</b>
<b>Per unit</b>	
(based on the average number of units outstanding)	
<b>Decrease in net assets from operations per unit</b>	<b>\$ (0.21)</b>

See accompanying notes to financial statements.

## Statement of Changes in Net Assets

	For the period from March 30 to December 31, 2005
Net assets, beginning of period	\$ —
<b>Operations</b>	
Decrease in net assets from operations	(1,162,589)
<b>Share capital transactions</b>	
Proceeds from issue of shares	54,281,650
Payment of agents' fees	(3,664,011)
Payment of issue costs	(520,388)
	50,097,251
<b>Increase in net assets</b>	48,934,662
<b>Net assets, end of period</b>	<b>\$ 48,934,662</b>

See accompanying notes to financial statements.

## Statement of Cash Flows

	For the period from March 30 to December 31, 2005
<b>Cash flows used in operating activities</b>	
Loss from investment operations	\$ (440,927)
Investments purchased	(56,596,200)
Proceeds on dispositions of investments	2,790,600
Net change in non-cash working capital	140,536
Cash flows used in operating activities	(54,105,991)
<b>Cash flows from investing activities</b>	
Proceeds from loan	4,184,399
Cash flows from investing activities	4,184,399
<b>Cash flows from financing activities</b>	
Proceeds of issue	54,281,650
Payment of agents' fees	(3,664,011)
Payment of issue costs	(520,388)
Cash flows from financing activities	50,097,251
Net increase in cash and cash equivalents	175,659
Cash and cash equivalents, beginning of period	—
<b>Cash and cash equivalents, end of period</b>	<b>\$ 175,659</b>

See accompanying notes to financial statements.



## Statement of Investment Portfolio

As at December 31, 2005	Number of securities	Type of security	Cost	Market value
Duvernay Oil Corp.	210,000	Common shares	\$ 7,950,000	\$ 9,288,300
Kereco Energy Ltd.	260,000	Common shares	3,640,000	3,978,000
Berens Energy Ltd.	1,050,000	Common shares	3,097,500	3,727,500
Crew Energy Inc.	173,300	Common shares	4,159,200	3,240,710
Chamaelo Exploration Ltd.	416,938	Special warrants	3,502,500	3,189,573
Redstar Oil & Gas Inc.	962,000	Special warrants	3,174,600	2,837,900
Opti Canada Inc.	60,000	Common shares	3,150,000	2,290,200
Tusk Energy Corp.	423,200	Class B warrants	2,221,800	2,141,392
Mission Oil & Gas Inc.	250,000	Common shares	2,500,000	1,852,500
West Energy Ltd.	215,000	Common shares	1,343,750	1,724,300
Anderson Energy Ltd.	215,000	Common shares	1,720,000	1,666,250
Bear Ridge Resources Ltd.	325,000	Common shares	1,735,000	1,560,000
Prairie Schooner Petroleum Ltd.	65,000	Common shares	1,305,850	1,527,500
Flagship Energy Inc.	211,000	Class A shares	1,018,000	1,242,790
Paramount Resources Ltd.	40,000	Common shares	850,000	1,236,000
Alberta Clipper Energy Inc.	292,000	Common shares	1,430,800	1,124,200
ProspEx Resources Ltd.	300,000	Common shares	1,305,000	1,050,000
White Fire Energy Ltd.	375,000	Common shares	1,192,500	1,012,500
Clear Energy Inc.	185,000	Common shares	1,128,500	980,500
Great Plains Explorations Inc.	345,000	Common shares	1,069,500	955,650
Delphi Energy Corp.	155,000	Common shares	1,108,250	881,950
Morpheus Energy Corp.	210,000	Common shares	672,000	672,000
Stylus Energy Inc.	163,000	Common shares	733,500	622,660
Sebring Energy Inc.	480,000	Common shares	600,000	600,000
Temple Energy Inc.	190,000	Common shares	570,000	570,000
Synenco Energy Inc.	30,000	Common shares	682,500	511,200
Angle Energy Inc.	140,000	Common shares	504,000	504,000
Peerless Energy Inc.	80,000	Class A shares	180,000	480,000
UTS Energy Corp.	100,000	Common shares	550,000	428,000
Valiant Energy Inc.	100,000	Common shares	550,000	412,000
E4 Energy Inc.	181,000	Common shares	443,450	321,275
Ridgeback Exploration Ltd.	170,000	Common shares	255,000	255,000
Peerless Energy Inc.	18,000	Class B shares	20,000	108,900
Flagship Energy Inc.	15,300	Class B shares	153,000	91,188
<b>Total investment portfolio</b>			<b>\$ 54,516,200</b>	<b>\$ 53,083,938</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the period ended December 31, 2005

### 1. Establishment of the Partnership

Creststreet 2005 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on December 22, 2004. The principal purpose of the Partnership is to invest in flow-through shares of resource companies involved in oil and gas, mining or renewable energy exploration and development in Canada. Pursuant to a prospectus dated March 8, 2005, limited partners subscribed for 5,428,165 units of limited partnership interest. The general partner of the Partnership is Creststreet 2005 General Partner Limited (the "General Partner") and the Partnership Advisor is Creststreet Asset Management Limited (the "Partnership Advisor").

### 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 broker, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

#### b. Valuation of Investments

Investments are recorded at 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 sales 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 and is included in net assets. The net change from year to year is reflected in the statements of operations as the "Net change in unrealized appreciation/depreciation of investments". Since the resource company securities benefited from an exemption from prospectus requirements, they are generally subject to resale restrictions for four months from the date of purchase.

#### c. Investment Transactions and Income Recognition

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

#### d. Allocation of Partnership Income or Loss

The net income of the Partnership is allocated 0.01% to the General Partner and the balance, along with the 100% of the net loss of the Partnership, among the Limited Partners in proportion to the number of units held by each of them at the end of each period. The Partnership is not itself a taxable entity, and therefore no provision for income tax is required.

#### e. Use of Estimates

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



### 3. Loan Payable

A term facility for up to \$7.5 million matures on the earlier of March 30, 2007, and the dissolution date of the Partnership. The facility is secured by a general security agreement and interest is calculated at prime. At December 31, 2005, the total loan payable was \$4,184,399. The Partnership was not in violation of any of the covenants at December 31, 2005, nor at any time during the period. The loan is subject to certain financial covenants.

### 4. Brokerage Commissions

The Partnership paid brokerage commissions amounting to \$20,050 for the period from March 30 to December 31, 2005.

### 5. Partnership Advisor Fees

The Partnership Advisor is entitled to receive a partnership advisor fee equal to 2.0% per annum of the net asset value of the Partnership, calculated and payable monthly in arrears for consideration for providing investment, management, and other services to the Partnership. For the year ended December 31, 2005, the partnership advisor fee amounted to \$797,454. The General Partner has a 0.01% beneficial interest in the Partnership.

### 6. Liquidity of Partnership Units and Termination of Partnership

On or about January 19, 2007, the Partnership is scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, an open-ended mutual fund (the "Mutual Fund"), in exchange for shares of the Mutual Fund. Upon this transfer, the Partnership will be dissolved, at which time the net assets will be allocated 99.99% to the limited partners and 0.01% to the General Partner. Upon dissolution, the Limited Partners will receive their pro-rata share of the shares of the Mutual Fund.

### 7. Tax Shelter Identification Number

The identification number issued for the Partnership should be included in any income tax return filed by a Limited Partner. Issuance of the identification number is for administration purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The Partnership's tax shelter identification number is TS 070391.

## Creststreet 2005 General Partner Limited

### Board of Directors

**J. Paul Charron**

President and Chief Executive Officer  
Canetic Resources Trust

**Stuart P. Hensman**

Corporate Director

**Larry J. Macdonald**

Chairman  
Point Energy Inc.

**Robert J. Toole, C.A.**

Managing Director  
Creststreet Capital Corporation

### Officers

**Robert J. Toole, C.A.**

President and Chief Executive Officer

**Donna Shea, C.A.**

Vice-President, Finance and  
Chief Financial Officer

**Aaron C.B. Maybin**

Vice-President, Energy Investment  
Management

**Sheryl J. Chiddenton**

Secretary and Treasurer

### Legal Counsel

McCarthy Tétrault  
Toronto, Ontario

### Auditors

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