

Interim Report > 2006

Interim Management Report of Fund Performance

For the period from February 24 to June 30, 2006

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE SEMI-ANNUAL REPORT OF CRESTSTREET 2006 LIMITED PARTNERSHIP (THE "PARTNERSHIP").

UNITHOLDERS MAY OBTAIN A COPY OF THE INTERIM OR ANNUAL FINANCIAL STATEMENTS AT NO COST BY CALLING 1 866 864-6330, BY WRITING TO CRESTSTREET MUTUAL FUNDS LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT WWW.CRESTSTREET.COM. UNITHOLDERS MAY ALSO CONTACT US USING ONE OF THESE METHODS TO REQUEST A COPY OF THE PARTNERSHIP'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

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 on February 24, 2006. This information is derived from the Partnership's unaudited semi-annual financial statements.

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

	February 24 to June 30, 2006
Net asset value, beginning of period	\$ 10.00
Increase (decrease) from operations	
Total revenue	0.11
Total expenses	(0.08)
Unrealized loss on investments	(1.87)
Total decrease from operations ⁽¹⁾	(1.84)
Net asset value, end of period⁽²⁾	\$ 7.37

(1) Net asset value is based on the actual number of units outstanding at the relevant time. The increase (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.

Interim Management Report of Fund Performance (cont'd)

> Ratios and Supplemental Data

	June 30, 2006
Net assets (000's) ⁽¹⁾	\$ 29,467
Number of shares outstanding ⁽¹⁾	4,000,000
Management expense ratio ("MER") ⁽²⁾	2.95%
Portfolio turnover rate ⁽³⁾	0.00%
Trading expense ratio ⁽⁴⁾	0.00%

- (1) This information is provided as at June 30, 2006.
- (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 adviser 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.

Results of Operations

Global and North American energy markets experienced significant volatility in the first half of 2006. New York Mercantile Exchange ("NYMEX") crude oil (light sweet) prices appreciated 21%, from US\$61.04/Bbl to US\$73.93/Bbl, reaching a high of US\$75.17/Bbl on April 21. NYMEX natural gas prices declined 45%, from US\$11.22/mmbtu to US\$6.10/mmbtu, with a low of US\$5.88/mmbtu on June 28.

Crude oil prices continued to climb during the first six months of the year. Strong global demand heightened by geopolitical tensions and instability in producing regions have left surplus global crude oil supply capacity stretched to unprecedented thin levels and refining capacity remains limited.

North American natural gas markets softened considerably in the first six months of 2006. Natural gas experienced aggressive price appreciation at the end of 2005 due to hurricanes in the Gulf Coast of the United States. This was followed by an abnormally warm winter, which reduced demand for natural gas, resulting in record-high levels of natural gas storage inventories. These high storage levels have significantly depressed spot natural gas prices. The Manager believes the current weakness in natural gas prices is short-term in nature. As we head into the upcoming winter months, natural gas prices have the potential to rise significantly. This view is consistent with the strong natural gas prices we are presently seeing in the forward market.



With a strong weighting in oil-related equities, the S&P/TSX CDN Capped Energy Index (the “Energy Index”) climbed 9.2% during the six months ended June 30, 2006. Volatility in the Energy Index was comparable to that exhibited by the underlying commodities, with the Energy Index hitting a high of 377.83 and a low of 304.36, a 19% swing.

In February 2006, the Partnership completed its initial public offering, raising a total of \$40,000,000 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 2006 and with exploration and production companies generating record cash flows on the basis of high natural gas prices, 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. Due to lower than forecasted natural gas prices, many high-quality exploration and production companies issued flow-through equity to help support their capital expenditure budgets. As of June 30, 2006, the Partnership had invested 85% of the net proceeds of its \$40 million offering in 20 Canadian resource companies with a weighted average market capitalization of \$770 million and a weighted average exposure to natural gas production of 53%.

The Partnership Advisor views the depression in natural gas prices as temporary and maintains that natural gas supply in North America is becoming increasingly constrained. Historical long-life reserves are being depleted and it is increasingly difficult for natural gas producers to replace these reserves with new high-decline, shorter-life production. This situation is exacerbated given a recent escalation of costs required to bring on incremental production. We believe these factors will lead to sustained higher natural gas prices in the years ahead and we will continue to maintain our strong natural gas investment focus in the Partnership’s investment portfolio.

The Partnership’s net asset value (“NAV”) per unit was \$7.37 at June 30, 2006 and increased to \$7.48 at July 31. The July 31 NAV represents a total after-tax return of 12.2% based on money-at-risk for an Ontario investor in the highest marginal tax bracket, assuming the full amount invested has been deducted by investors for tax purposes. After-tax returns in other provinces could be slightly higher or lower, depending on combined federal and provincial tax rates. The Partnership Advisor expects there is good potential for the NAV to continue to increase as natural gas prices continue to recover.

The results of operations cover the period from the commencement of operations on February 24, 2006 to June 30, 2006. Interest income for the period was \$439,584 and was earned by funds on deposit while awaiting investment in flow-through securities. As of June 30, the Partnership had invested 85% of the net proceeds of its \$40 million offering into flow-through securities of Canadian resource issuers. Interest income for the remainder of the Partnership’s operations is expected to be marginal as funds will be fully invested.

Interim Management Report of Fund Performance (cont'd)

The Partnership incurred expenses totaling \$347,111 during 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 term loan facility in the amount of \$3,152,954, allowing the Partnership to pay agents' fees and other issue costs, thereby enabling the Partnership to maximize its investment in flow-through securities. The loan facility represented 11% of the Partnership's NAV at June 30. The loan facility matures on the earlier of March 30, 2008 and the dissolution date of the Partnership. The facility is secured by a general security agreement and is subject to certain financial covenants. The Partnership was not in violation of any covenants at June 30, 2006, nor at any time during the period. The Partnership pays interest on the facility at the bank's prime rate and interest expense for the period was \$58,764. The Partnership had expenses totaling \$35,818 not including partnership advisor fees and interest expense. Given the relatively short period of time that the Partnership has been in operation, approximately 80% of these expenses are accrued amounts based on the Partnership Advisor's estimates.

Summary of Investment Portfolio

As at June 30, 2006

Description	Total % of net assets
Investments in long positions	
Natural gas	53.28%
Cash and cash equivalents	53.76%
Oil	27.10%
Other net assets	(34.14%)
	100.00%

**> Investment Positions**

As at June 30, 2006

Description	Cost	Market value	% of net assets
Duvernay Oil Corp.	\$ 6,160,000	\$ 4,310,900	14.63%
Galleon Energy Inc.	3,032,600	2,558,240	8.68%
Real Resources Inc.	3,098,250	2,510,190	8.52%
Kereco Energy Ltd.	2,930,000	2,140,000	7.26%
Stylus Energy Inc.	1,777,925	1,590,775	5.40%
Bear Ridge Resources Ltd.	2,315,250	1,307,250	4.44%
TUSK Energy Corporation	1,493,500	1,000,500	3.40%
Stonefire Energy Corp.	750,000	963,420	3.27%
Alberta Clipper Energy Inc.	978,500	839,800	2.85%
Orleans Energy Ltd.	1,012,500	789,750	2.68%
Cyries Energy Inc.	999,530	789,705	2.68%
ProspEx Resources Ltd.	1,035,000	702,000	2.38%
Dual Exploration Inc.	1,001,520	650,560	2.21%
Flagship Energy Inc.	690,000	570,000	1.93%
Paramount Resources Ltd.	780,000	540,000	1.83%
Angle Energy Inc.	540,000	540,000	1.83%
Midnight Oil Exploration Ltd.	714,000	511,000	1.73%
Greenbank Energy Ltd.	480,000	480,000	1.63%
Open Range Energy Corp.	712,500	450,000	1.53%
Storm Exploration Inc.	656,000	440,800	1.50%
Total portfolio	\$ 31,157,075	\$ 23,684,890	80.38%
Cash and cash equivalents		\$ 15,843,010	53.76%
Other net assets		(10,060,566)	(34.14%)
Total net asset value		\$ 29,467,334	100.00%

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. 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 Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto, ON, M5J 2M4, or by visiting our website at www.creststreet.com.

Interim Management Report of Fund Performance (cont'd)

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 aims of preserving the Partnership's capital and capital appreciation on 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. Such 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 to exercise warrants.

Exchange Listing – The Partnership invests a minimum of 80% of funds in flow-through securities of resource issuers that are listed on the Toronto Stock Exchange ("TSX") or on the TSX Venture Exchange, provided that at least 50% of funds are invested in flow-through securities listed on the TSX.

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

Private Companies – The Partnership may invest 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.

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.



Recent Developments

In July 2006, Creststreet Capital Corporation (“CCC”) acquired 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 did not and 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.

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.

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. Goods and services tax (GST) is paid on all partnership advisor fees. Partnership advisor fees totaled \$252,529 for the period.

Risk

There have been no major or significant changes that have had an impact on the overall risk level of any investments in the Partnership. The Partnership’s investment philosophy, style and method remain unchanged.

Statement of Net Assets

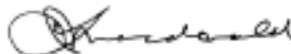
	June 30, 2006 (unaudited)
Assets	
Investments at market value	\$ 23,684,890
Cash and cash equivalents	15,843,010
	39,527,900
Liabilities	
Due to broker	6,820,850
Accounts payable and accrued liabilities	86,762
Loan payable (note 3)	3,152,954
	10,060,566
Net assets	\$ 29,467,334
Units outstanding	4,000,000
Net asset value per unit	\$ 7.37

See accompanying notes to financial statements.

Approved by Creststreet 2006 General Partner Limited on behalf of Creststreet 2006 Limited Partnership



Robert J. Toole
Director



Larry J. Macdonald
Director



Statement of Operations

	February 24 to June 30, 2006 (unaudited)
Investment income	
Interest income	\$ 439,584
Expenses	
Partnership advisor fees (note 5)	252,529
Interest expense	58,764
Unitholder reporting	19,554
Operating expenses	7,593
Audit fees	7,000
Directors' fees	1,671
	347,111
Income from investment operations	92,473
Realized and unrealized gain (loss) on investments	
Cost of investments, beginning of period	-
Investments purchased during the period	31,157,075
	31,157,075
Cost of investments, end of period	31,157,075
Cost of investments sold	-
Proceeds of investments sold	-
Net realized loss on sale of investments	-
Net change in unrealized appreciation/depreciation of investments	(7,472,185)
Net loss on investments	(7,472,185)
Decrease in net assets from operations	\$ (7,379,712)
Per unit	
(based on the average number of units outstanding)	
Decrease in net assets from operations per unit	\$ (1.84)

See accompanying notes to financial statements.

Statement of Changes in Net Assets

	February 24 to June 30, 2006 (unaudited)
Net assets, beginning of period	\$ —
Operations	
Decrease in net assets from operations	(7,379,712)
Share capital transactions	
Proceeds from issue of shares	40,000,000
Agents' fees	(2,700,000)
Issue costs	(452,954)
	36,847,046
Increase in net assets	29,467,334
Net assets, end of period	\$ 29,467,334

See accompanying notes to financial statements.



Statement of Cash Flows

	February 24 to June 30, 2006 (unaudited)
Cash flows from (used in) operating activities	
Income from investment operations	\$ 92,473
Investments purchased	(31,157,075)
Net change in non-cash working capital	6,907,612
Cash flows used in operating activities	(24,156,990)
Cash flows from (used in) financing activities	
Proceeds from issue of units	40,000,000
Proceeds from loan	3,152,954
Payment of agents' fees	(2,700,000)
Payment of issue costs	(452,954)
Cash flows from financing activities	40,000,000
Net increase in cash and cash equivalents	15,843,010
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	\$ 15,843,010

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at June 30, 2006

Description	Number of securities	Type of security	Cost	Market value
Duvernay Oil Corp.	110,000	Common shares	\$ 6,160,000	\$ 4,310,900
Galleon Energy Inc.	118,000	Class A common shares	3,032,600	2,558,240
Real Resources Inc.	121,500	Common shares	3,098,250	2,510,190
Kereco Energy Ltd.	200,000	Common shares	2,930,000	2,140,000
Stylus Energy Inc.	374,300	Common shares	1,777,925	1,590,775
Bear Ridge Resources Ltd.	315,000	Common shares	2,315,250	1,307,250
TUSK Energy Corporation	290,000	Common shares	1,493,500	1,000,500
Alberta Clipper Energy Inc.	190,000	Common shares	978,500	839,800
Orleans Energy Ltd.	135,000	Common shares	1,012,500	789,750
Cyries Energy Inc.	76,300	Common shares	999,530	789,705
ProspEx Resources Ltd.	180,000	Common shares	1,035,000	702,000
Stonefire Energy Corp.	300,000	Class A shares	60,000	675,000
Dual Exploration Inc.	428,000	Common shares	1,001,520	650,560
Flagship Energy Inc.	100,000	Class B shares	690,000	570,000
Paramount Resources Ltd.	15,000	Class A common shares	780,000	540,000
Angle Energy Inc.	120,000	Common shares	540,000	540,000
Midnight Oil Exploration Ltd.	140,000	Common shares	714,000	511,000
Greenbank Energy Ltd.	200,000	Common shares	480,000	480,000
Open Range Energy Corp.	125,000	Common shares	712,500	450,000
Storm Exploration Inc.	80,000	Common shares	656,000	440,800
Stonefire Energy Corp.	69,000	Class B shares	690,000	288,420
Total investment portfolio			\$ 31,157,075	\$ 23,684,890

See accompanying notes to financial statements.



Notes to Financial Statements

For the period from February 24, 2006 to June 30, 2006

1. Establishment of the Partnership

Creststreet 2006 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on December 22, 2005 and commenced operations on February 24, 2006. 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 February 10, limited partners subscribed for 4,000,000 units of limited partnership interest. The general partner of the Partnership is Creststreet 2006 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 account policies followed by the Partnership:

a. Cash and Cash Equivalents, and Other Monetary Balances

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, due to broker, and loan payable approximate their fair values due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments in Resource Companies

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 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 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.

Notes to Financial Statements (cont'd)

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 in the amount of \$3,152,954 matures on the earlier of March 30, 2008 and the dissolution date of the Partnership. The facility is secured by a general security agreement and interest is calculated at the bank's prime rate. The loan is subject to certain financial covenants. The Partnership was not in violation of any covenants at June 30, 2006, nor at any time during the period.

4. Brokerage Commissions

The Partnership paid no brokerage commissions during the period.

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 as consideration for providing investment, management, and other services to the Partnership. The partnership advisor fee amounted to \$252,529 for the period. 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 18, 2008, 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 on 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 federal and Quebec provincial tax shelter identification numbers are TS 071522 and QAF-06-01120, respectively.

8. Financial Statement Review

These financial statements have not been reviewed by the Partnership's auditor. The financial statements were prepared and are presented in accordance with GAAP using the same internal procedures and controls that will be applied to the Partnership's annual audited financial statements.

Creststreet 2006 General Partner Limited

Board of Directors

Stuart P. Hensman

Corporate Director

Larry J. Macdonald

Chairman

Point Energy Inc.

John Thompson

President and Chief Executive Officer

Timing Energy Inc.

Robert J. Toole, C.A.

Managing Director

Creststreet Capital Corporation

Officers of the General Partner

Robert J. Toole, C.A.

President

Donna Shea, C.A.

Vice-President, Finance

Aaron C.B. Maybin

Vice-President,

Energy Investment Management

Sheryl J. Chiddenton

Secretary and Treasurer

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