



Auditors' Report to the Partners

Auditors' Report to the Shareholders

We have audited the statements of net assets of Creststreet Energy Hedge Fund L.P. as at December 31, 2006 and 2005, the statement of investment portfolio as at December 31, 2006, and the statements of operations and changes in net assets for the year ended December 31, 2006 and 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 audits.

We conducted our audits 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 as at December 31, 2006 and 2005, the investments held as at December 31, 2006, and the results of its operations and changes in net assets for the year ended December 31, 2006 and for the period from April 30 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Accountants

Toronto, Canada
February 20, 2007


Statement of Net Assets

As at December 31	2006	2005
Assets:		
Investments in securities (cost: \$3,744,956 (2005 - \$4,728,855))	\$ 3,872,007	\$ 5,289,776
Cash and cash equivalents	1,741,324	2,190,256
Due from broker	766,400	808,421
Dividends receivable	-	6,000
Interest receivable	6,585	4,794
	6,386,316	8,299,247
Liabilities:		
Securities sold short (proceeds: \$1,551,106 (2005 - \$2,152,826))	1,518,739	2,178,676
Due to broker	279,260	455,527
Accounts payable and accrued liabilities	43,174	30,367
Dividends payable on securities sold short	-	17,535
Performance fee payable	831	3,819
	1,842,004	2,685,924
Net assets	\$ 4,544,312	\$ 5,613,323
Net assets comprised of:		
- Series I	\$ 1,309,541	\$ 1,951,187
- Series II	126,596	176,363
- Series III	1,233,922	1,718,998
- Series IV	367,419	510,707
- Series V	201,229	277,564
- Series VI	356,110	494,674
- Series VII	116,758	161,050
- Series VIII	103,089	-
- Series 911	729,648	322,780
Total net assets	\$ 4,544,312	\$ 5,613,323
Units outstanding		
- Series I	125,000	135,000
- Series II	12,340	12,340
- Series III	120,331	120,331
- Series IV	35,653	35,653
- Series V	19,339	19,339
- Series VI	34,640	34,640
- Series VII	11,460	11,460
- Series VIII	10,031	-
- Series 911	62,535	20,512
Total units outstanding	431,329	389,275
Net asset value per unit		
- Series I	\$ 10.48	\$ 14.45
- Series II	10.26	14.29
- Series III	10.25	14.29
- Series IV	10.31	14.32
- Series V	10.41	14.35
- Series VI	10.28	14.28
- Series VII	10.19	14.05
- Series VIII	10.28	-
- Series 911	11.67	15.74

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

Statements of Operations

	For the year ended December 31, 2006	For the period April 30 to December 31, 2005
Investment income:		
Interest income	\$ 76,387	\$ 20,775
Dividend income	12,780	58,425
Other income	10,865	655
	100,032	79,855
Expenses:		
Management fees (note 3)	89,934	53,855
Dividend expense on securities sold short	85,808	55,462
Interest and borrowing fees	41,695	9,938
Audit fees	18,500	7,000
Service fees (note 3)	22,490	10,624
Legal fees	16,168	7,975
Unitholder reporting	33,376	2,333
Performance fees (note 3)	5,725	329,033
Administrative expenses	5,380	1,772
	319,076	477,992
Loss from investment operations	\$ (219,044)	\$ (398,137)
Realized and unrealized (losses) gains on investments:		
Net realized (loss) gain on investments	(993,195)	1,119,325
Net change in unrealized appreciation / depreciation of investments	(375,653)	535,071
Net (loss) gain on investments	(1,368,848)	1,654,396
(Decrease) increase in net assets from operations	\$ (1,587,892)	\$ 1,256,259

See accompanying notes to financial statements.

(Decrease) increase in net assets from operations comprised of:		
- Series I	\$ (528,384)	\$ 622,658
- Series II	(49,767)	52,613
- Series III	(485,077)	431,999
- Series IV	(143,288)	89,957
- Series V	(76,335)	30,064
- Series VI	(138,563)	(326)
- Series VII	(44,292)	12,550
- Series VIII	4,089	
- Series 911	(126,275)	16,744
Total	(1,587,892)	1,256,259

(Decrease) increase in net assets per unit from operations comprised of:		
- Series I	(4.23)	4.61
- Series II	(4.03)	4.26
- Series III	(4.03)	3.59
- Series IV	(4.02)	2.52
- Series V	(3.95)	1.55
- Series VI	(4.00)	(0.01)
- Series VII	(3.86)	1.10
- Series VIII	0.41	-
- Series 911	(2.02)	0.82

See accompanying notes to financial statements.

Statements of Changes in Net Assets

	For the year ended December 31, 2006	For the period April 30 to September 30, 2005
Net assets, beginning of period	\$ 5,613,323	\$ -
Operations:		
(Decrease) increase in net assets from operations	(1,587,892)	1,256,259
Capital transactions:		
Proceeds from issue of units	1,063,144	4,431,036
Redemptions	(543,263)	(32,722)
Issue costs (note 3)	(1,000)	(41,250)
	518,881	4,357,064
(Decrease) increase in net assets	(1,069,011)	5,613,323
Net assets, end of period	\$ 4,544,312	\$ 5,613,323

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at December 31, 2006

Description	Number of Securities	Type of Securities	Cost / (proceeds)	Market Value
Investments in securities				
Athabasca Oil Sands Corp.	126,500	Common shares	\$ 116,150	\$ 316,250
Athabasca Oil Sands Corp.	115,000	Warrants	-	143,750
TriStar Oil & Gas Ltd.	76,450	Common shares	498,079	446,467
ProspEx Resources Ltd.	94,795	Common shares	414,721	420,890
West Energy Ltd.	77,055	Common shares	423,361	417,638
Crew Energy Inc.	22,670	Common shares	313,675	278,841
Alberta Clipper Energy Inc.	42,000	Common shares	252,000	253,260
Peerless Energy Inc.	59,620	Class A shares	234,144	241,461
GFI Oil & Gas Corporation	290,200	Common shares	279,618	217,650
Energy Metals Corp.	21,000	Common shares	210,249	212,100
Silverwing Energy Inc.	178,010	Common shares	249,614	195,811
Ur-Energy Inc.	44,000	Common shares	178,640	169,840
Tango Energy Inc.	147,650	Common shares	118,543	118,120
Canext Energy Ltd.	63,555	Common shares	86,064	102,959
Urasia Energy Ltd.	18,850	Common shares	76,776	101,225
Cordero Energy Inc.	13,200	Common shares	87,384	90,156
Paladin Resources Ltd.	8,230	Common shares	54,359	65,593
Magnus Energy Inc.	93,675	Class A shares	136,145	64,636
Redstar Oil & Gas Inc.	12,000	Common shares	15,434	15,360
Total investments in securities			\$ 3,744,956	\$ 3,872,007
Securities sold short				
Trust Units				
Alberta Clipper Energy Inc.	(61,120)	Common shares	\$ (369,287)	\$ (368,554)
Bear Ridge Resources Ltd.	(82,500)	Common shares	(283,536)	(305,250)
Compton Petroleum Corp.	(24,200)	Common shares	(273,310)	(257,730)
Cyries Energy Inc.	(16,500)	Common shares	(216,992)	(208,890)
Duvernay Oil Corp.	(5,500)	Common shares	(192,521)	(189,915)
Paramount Resources Ltd.	(7,850)	Class A common shares	(215,460)	(188,400)
Total securities sold short			\$ (1,551,106)	\$ (1,518,739)

See accompanying notes to financial statements.

Notes to Financial Statements

For the year ended December 31, 2006 and for the period from April 30 to 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.

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 value 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 the statements of operations the "Net change in unrealized appreciation/depreciation of investments".

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. Investment Manager

During 2006, Creststreet Investment Management Limited assigned all of its rights and obligations as Investment Manager under the Portfolio Management Agreement to its affiliate Creststreet Asset Management Limited. Creststreet Asset Management Limited acquired the business of Creststreet Investment Management Limited and became the Investment Manager to the Partnership under the Portfolio Management Agreement. There was no change to the services provided by the Investment Manager to the Partnership as a result of the assignment of the Portfolio Management Agreement.

4. Related Party Transactions

The Investment 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 year ended December 31, 2006, the management fee amounted to \$89,934 (2005 – \$53,855).

The Investment Manager is also entitled to receive a performance fee equal to 20% of the increase in the net asset value 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 highwater (as defined in the Limited Partnership Agreement) for that series, the Investment Manager will not be entitled to a performance fee in that month. For the year ended December 31, 2006, the performance fee amounted to \$5,725 (2005 – \$329,033).

The Partnership pays a service fee to the Investment Manager, who then remits the amounts to dealers as consideration for the dealers administering the Partnership's assets for clients. The service fee is calculated at a rate of 1.0% per annum of the Partnership'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 net asset value of the units held by such dealer's clients is at least \$150,000 throughout the relevant quarter. For the year ended December 31, 2006, service fees amounted to \$22,490 (2005 – \$10,624).

The Investment Manager has provided the initial funding for organizational costs and is reimbursed by the Partnership. Total organizational costs are expected to be approximately 1.0% of the gross amount of new subscriptions. The Partnership incurred \$1,000 in organizational costs for the year ended December 31, 2006 (2005 - \$41,250).

5. Brokerage Commissions

Total brokerage fees paid in connection with portfolio transactions for the year ended December 31, 2006 were \$300,998 (2005 – \$186,650).

6. Filing Exemption

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

7. 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 4:00pm on a valuation date.

Units must be held for at least 6 months from the date of purchase. Following the initial six 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.

Managing Director
Creststreet Capital Corporation

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Eric C. McFadden

Managing Director
Creststreet Capital Corporation

Donna E. Shea, C.A.

Vice-President, Finance and
Chief Financial Officer
Creststreet Capital Corporation

Aaron C.B. Maybin

Vice-President
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