



CRESTSTREET

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in Energy Investing



Q2 2005

Creststreet Windpower Development LP

Message to Limited Partners

In late 2004, Creststreet Windpower Development LP (the "Partnership") raised \$12,000,000 to invest in Canadian companies engaged in the development of commercial scale wind power projects with a focus on maximizing financing expenditures that qualify as Canadian Renewable and Conservation Expense ("CRCE") which is 100% tax deductible in the year incurred and can be renounced to investors via flow-through shares.

The Canadian wind power industry is in its formative stages and Creststreet believes there are attractive investment opportunities to finance the development of commercial scale wind energy projects that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation. Investments are directed towards wind power projects that can be brought to a construction ready stage within one to three years. It is anticipated that the construction financing of each of these wind energy projects would then be arranged through a combination of additional flow-through equity, other equity and project debt.

Prior to the end of 2004 the Partnership entered into financing commitments totaling \$8,000,000 with four Canadian wind energy projects. These four projects have over 800 megawatts of potential windpower development capacity. For the year ending December 31, 2004, the Partnership provided a tax deduction of 55% of a Limited Partner's investment which will qualify for certain deductions from income for 2004 income tax purposes.

In addition, on May 4, 2005 the Partnership entered into a financing commitment with Benchlands Wind Power Corp. to fund a wind energy project that has a potential for an installed capacity of up to 70MW.

On July 11, 2005, the Partnership's first investment in a developing wind company moved in the construction phase when Creststreet Kettles Hill Windpower LP completed its initial public offering and raised \$40 million. The net proceeds will be used to finance the purchase and installation of five test wind turbines and related infrastructure and to partially finance the purchase and installation of 30 additional infill wind turbines and related infrastructure for the planned 63 MW wind power project to be located near Pincher Creek, Alberta.

Investments

Kettles Hill Wind Energy Inc.

The Partnership committed to invest \$4,500,000 in Kettles Hill Wind Energy Inc. ("Kettles Hill"). Kettles Hill is being co-developed in joint venture with Benign Energy Canada Inc. of Calgary, Alberta. On July 11, 2005, Creststreet Kettles Hill Windpower LP completed its initial public offering and raised sufficient capital to

finance the CRCE phase as well as a portion of the Infill phase of the planned 63 megawatt Kettles Hill wind power project. As a result of this offering, the Partnership became a minority shareholder of Kettles Hill.

Dokie Wind Energy Inc.

The Partnership committed to invest up to \$2,500,000 million in Dokie Wind Energy Inc. ("Dokie"). Dokie is being co-developed in joint venture with Earth First Energy Inc. of Victoria, British Columbia. Dokie will develop and bring into production a series of wind energy projects located in the Peace River Region of British Columbia which have the potential for an installed capacity of up to 600 megawatts of renewable energy. Dokie continues to monitor the wind resource from the initial monitoring tower, and has expanded its monitoring efforts in Spring, 2005. In addition, Dokie has initiated key developmental engineering and environmental studies. The provincial utility has also initiated a process to procure power from independent power producers, which is a positive sign of the potential for Dokie to obtain a power purchase agreement.

Windrise Power Inc.

The Partnership has also arranged a commitment to invest up to \$500,000 in Windrise Power Inc. ("Windrise"). Windrise is being co-developed in joint venture with Windbreaker Energy Corp. of Calgary, Alberta. The project company will develop and bring into production a wind energy project located near Fort Macleod, Alberta which is expected to have the capacity of up to 100 megawatts of renewable energy. Recently, Altalink, the transmission operator in Alberta, received approval to construct a key transmission line in southern Alberta which will allow the addition of new generation including the planned Windrise project. Windrise continues to progress on obtaining permits and filing applications to allow the construction of its project.

Bonavista Wind Power Inc.

The Partnership has arranged a commitment to invest up to \$500,000 in Bonavista Wind Power Inc. ("Bonavista"). Bonavista is being co-developed in joint venture with Wind Project Inc. of Milton, Ontario. Bonavista will develop and bring into production a wind energy project located near Bonavista, Newfoundland which is expected to have the potential for an installed capacity of up to 40 megawatts of renewable energy. Bonavista has completed more than one year of wind data collection, and the wind monitoring program was expanded in Spring, 2005. In addition, Bonavista has initiated key developmental engineering and environmental studies.

Benchlands Windpower Corp.

Finally, the Partnership has entered into a commitment to finance the development of Benchlands Wind Power Corp. with an initial investment of up to \$100,000 in a wind power project located near Tompkins, Saskatchewan which has the potential for an installed capacity of up to 70 MW. The project is being co-developed in joint venture with Wind Works Energy Corp. of Calgary, Alberta.

Outlook

Creststreet Capital Corporation ("Creststreet") continues to evaluate attractive windpower projects for investment by the Partnership. Approximately \$2.4 million remains to be invested and is anticipated to be invested by year end 2005. We are pleased with the portfolio of high quality investments made to date and are actively working with our joint venture partners to develop the projects efficiently and expeditiously to completion.

Respectfully submitted,

On behalf of Creststreet Windpower Development LP

by its General Partner

Creststreet Windpower Development General Partner Limited



Robert J. Toole

President and Chief Executive Officer

August , 2005

Management Discussion and Analysis

Three months and six months ended June 30, 2005

(unaudited, all dollar amounts stated in thousands of dollars except where otherwise stated)

Overview

The following discussion and analysis may contain forward-looking statements regarding the future performance of Creststreet Windpower Development LP (the "Partnership") based on assumptions the Manager of the Partnership considered reasonable at the time it was prepared on August 26, 2005. All forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward looking statements.

Creststreet Windpower Development LP (the "Partnership") has invested in flow-through shares of five Canadian companies, Kettles Hill Wind Energy Inc., Dokie Wind Energy Inc, Bonavista Wind Power Inc., Windrise Power Inc. and Benchlands Wind Power Corp. (together the "Wind Energy Companies"). The Partnership's investment in Benchlands Wind Power Corp. was made on May 4, 2005. The objective of the Partnership is to finance the development by Wind Energy Companies of projects that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation.

The Kettles Hill Wind Energy Inc. ("Kettles Hill") project is situated approximately 200 kilometres south of the city of Calgary, Alberta approximately 5 kilometres east of the town of Pincher Creek. Kettles Hill intends to erect 5 test wind turbines in the fourth quarter of 2005 ("CRCE Turbine Phase") and following a 120 day test period, and subject to satisfactory test results during such period to erect a further 30 wind turbines ("Infill Construction Phase") for a total installed capacity of 63 megawatts of renewable energy. Completion of construction is expected in summer of 2006.

The Dokie Wind Energy Inc. ("Dokie") projects are situated in the Peace River Region of British Columbia which has the potential for an installed capacity of up to 600 megawatts of renewable energy.

The Windrise Power Inc. ("Windrise") project is situated near Fort Macleod, Alberta and is expected to have the development potential for an installed capacity of up to 100 megawatts or renewable energy.

The Bonavista Wind Power Inc. ("Bonavista") project is situated near Burnt Ridge Newfoundland and is expected to have the development potential for an installed capacity of up to 40 megawatts of renewable energy.

The Benchlands Wind Power Corp ("Benchlands") will be situated near Tompkins, Saskatchewan and is expected to have the development potential for an installed capacity of up to 70 MW.

Liquidity

Cash and cash equivalents and cash held in escrow decreased by \$166 from \$6,031 at December 31, 2004 to \$5,865 at June 30, 2005 primarily due to an increase in the deferred development costs which was partially offset by the increase in amounts due to related parties.

Assets and Liabilities

At June 30, 2005, the Partnership had total assets of \$12,659 compared to \$12,746 at December 31, 2004. Deferred

development costs of \$6,758 were related to pre-construction development of Kettles Hill, Dokie, Bonavista, Windrise and Benchlands projects and were funded primarily from cash held in escrow.

Contractual Obligations

Kettles Hill has entered into a Turbine Supply Agreement with Vestas pursuant to which Vestas will supply and deliver five Vestas V80 wind turbines for the CRCE Turbine Phase and thirty Vestas V80 turbines for the Infill Construction Phase. The Company has also entered into a Warranty, Maintenance and Service Agreements ("WMS Agreement") with Vestas which provides for certain warranties in connection with the wind turbines to be installed at the wind energy project and which also provides for ongoing service and maintenance, obligations in connection with the turbines. The WMS Agreement includes a facility-wide warranty, which commences on substantial completion of the Infill Construction Phase, related to power curve performance and availability of the facility. In the event that the facility fails to perform as warranted, the WMS Agreement provides that the Company will be entitled to liquidated damages to offset any lost revenue. The contract is for a 5-year period commencing on the date that the turbines come into service. The total commitment to Vestas under both of these agreements is approximately \$78,325 which is comprised of two portions Cdn\$27,775 and €30,609. To hedge a portion of the foreign currency exposure, three European style Euro against the Canadian dollar call options have been purchased for a total principal amount of €20,000. With €5,000 to settle on April 7, 2006, €10,000 to settle on April 28, 2006 and €5,000 to settle on June 15, 2006.

Related Party Transactions

Pursuant to Joint Venture Agreements Creststreet will earn monthly fees of \$8 for financial and administrative services and the Joint Venture Partners will earn monthly fees of \$59 for services related to the development of the projects. For the three months and six months ended June 30, 2005, the projects incurred \$191 and \$362 under these agreements.

The Partnership agreed to pay a fee of \$25 paid to Creststreet 2004 Limited Partnership as compensation for waiving its right of first refusal in respect of certain wind power investments made by the Partnership.

Creststreet is entitled to a monthly fee of \$15 in accordance with the Management Agreement for administrative services provided to the Partnership. For the three months and six

months ended June 30, 2005, fees paid to Creststreet were \$48 and \$96.

The amounts paid to related parties are as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------------|--------------------------------|------|------------------------------|------|
| | 2005 | 2004 | 2005 | 2004 |
| Creststreet Capital Corporation | \$ 71 | \$ - | \$ 140 | \$ - |
| Creststreet 2004 Limited Partnership | - | - | 27 | - |
| Earth First Energy Inc. | 90 | - | 180 | - |
| Windbreaker Energy Inc. | 60 | - | 120 | - |
| Wind Project Inc. | 18 | - | 18 | - |
| | \$239 | \$ - | \$ 485 | \$ - |

Partners' Equity

For the period ended June 30, 2005, Partners' equity decreased by \$2,535 from \$10,869 at December 31, 2004 to \$8,334 at June 30, 2005. The decrease was primarily due to a net loss from operations of \$203 and an increase in the future income taxes of \$2,288. Future income taxes have been recorded based on the amount of renunciation of Canadian Renewable and Conservation Expenses to June 30, 2005 and are offset against Partners' equity to reflect the value of tax deductions flowed through to limited partners.

In December 2004, the Partnership completed its offering of limited partnership units raising gross proceeds of \$12,000. The Partnership paid agents fees of \$586 being 5% of the gross proceeds raised through registered dealers and incurred \$215 in issue costs to complete this offering. Partner's equity was also reduced by the net loss from operations of \$330 in 2004.

Results of Operations

For the three months and six months period ended June 30, 2005 the Partnership earned \$16 and \$34 in interest income on short-term investments, paid management fees of \$48 and \$96 and incurred administrative costs of \$30 and \$141 related to the operation of the Partnership.

Outlook

Creststreet continues to evaluate attractive windpower projects for investment by the Partnership. Approximately \$2.4 million remains to be invested and is anticipated to be invested by year-end 2005. We are pleased with the portfolio of high quality investments made to date and are busy working with our joint venture partners to develop the projects efficiently and expeditiously to completion.

Directors of the General Partner

Eric McFadden

Managing Director

Creststreet Capital Corporation

Donna Shea, C.A.

Vice-President, Finance

Creststreet Capital Corporation

Robert J. Toole

Managing Director

Creststreet Capital Corporation

Officers of the General Partner

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

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

Erich Ossowski, *Vice-President, Windpower*

Sheryl J. Chiddenton, *Secretary and Treasurer*

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Consolidated Balance Sheet

As at June 30, 2005 and December 31, 2004

| | (Unaudited) June 30, 2005 | December 31, 2004 |
|--------------------------------------------------------------------|---------------------------------|----------------------|
| Assets: | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,045 | \$ 1,968 |
| Cash held in escrow (Note 3) | 2,820 | 4,063 |
| Accounts receivable | 20 | 68 |
| Prepaid expense | 16 | - |
| Due from related parties (Note 5) | - | 2,260 |
| | 5,901 | 8,359 |
| Deferred development costs (Note 4) | 6,758 | 4,387 |
| | \$ 12,659 | \$ 12,746 |
| Liabilities: | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 588 | \$ 525 |
| Dividends payable by Kettles Hill to Minority Interest (Note 5) | 43 | - |
| Due to related parties (Note 5) | 54 | - |
| | 685 | 525 |
| Future income tax liability | 2,288 | - |
| | 2,973 | 525 |
| Minority interest | 1,352 | 1,352 |
| Partners' equity | 8,334 | 10,869 |
| | \$ 12,659 | \$ 12,746 |

Commitments (Note 6)

Subsequent Events (Note 8)

See accompanying notes to consolidated financial statements

Approved by Creststreet Windpower Development General Partner Limited as General Partner on behalf of Creststreet Windpower Development LP



Director



Director

Consolidated Statement of Operations (Unaudited)

For the three months and six months ended June 30, 2005 and 2004

| (in thousands) | Three Months ended | | Six Months ended | |
|-----------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2005 | June 30, 2004 | June 30, 2005 | June 30, 2004 |
| Investment Income | | | | |
| Interest income | \$ 16 | \$ - | \$ 34 | \$ - |
| Expenses: | | | | |
| Management fees (Note 5) | 48 | - | 96 | - |
| Administrative costs | 30 | - | 141 | - |
| | 78 | - | 237 | - |
| Net loss | \$ (62) | \$ - | \$ (203) | \$ - |
| Net loss per unit | \$ (0.05) | \$ - | \$ (0.17) | \$ - |

Consolidated Statement of Partners' Equity (Unaudited)

| (in thousands) | Three Months ended | | Six Months ended | |
|-----------------------------------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2005 | June 30, 2004 | June 30, 2005 | June 30, 2004 |
| Partners' equity - beginning of period | \$ 8,450 | \$ - | \$ 10,869 | \$ - |
| Net loss | (62) | - | (203) | - |
| Payment of Agent's fee | - | - | (1) | - |
| Future income tax resulting from renunciation | (32) | - | (2,288) | - |
| Dividends on preferred shares | (22) | - | (43) | - |
| Partners' equity - end of period | \$ 8,334 | \$ - | \$ 8,334 | \$ - |

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

For the three months and six months ended June 30, 2005 and 2004

| (in thousands) | Three Months ended | | Six Months ended | |
|--------------------------------------------------------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2005 | June 30, 2004 | June 30, 2005 | June 30, 2004 |
| Net loss | \$ (62) | \$ - | \$ (203) | \$ - |
| Change in working capital: | | | | |
| Decrease in accounts receivable | 97 | - | 48 | - |
| Increase in prepaid expense | (16) | - | (16) | - |
| Decrease in accounts payable and accrued liabilities | (103) | - | (426) | - |
| | (84) | - | (597) | - |
| Cash flows from financing activities: | | | | |
| Issue Costs | - | - | (1) | - |
| Increase in amounts due to related parties | 21 | - | 2,314 | - |
| | 21 | - | 2,313 | - |
| Cash flows from investing activities: | | | | |
| Increase in accounts payable for additions to deferred development costs | 202 | - | 489 | - |
| Increase in deferred development costs | (1,142) | - | (2,371) | - |
| | (940) | - | (1,882) | - |
| Net (decrease) in cash | (1,003) | - | (166) | - |
| Cash and cash equivalents, beginning of period | 6,868 | - | 6,031 | - |
| Cash and cash equivalents, end of period | \$ 5,865 | \$ - | \$ 5,865 | \$ - |
| Cash and cash equivalents is comprised of: | | | | |
| Cash | \$ 3,045 | \$ - | \$ 3,045 | \$ - |
| Cash in escrow | 2,820 | - | 2,820 | - |
| | \$ 5,865 | \$ - | \$ 5,865 | \$ - |

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

For the three months and six months ended June 30, 2005 and 2004
(unaudited, all dollar amounts stated in thousands of dollars)

Creststreet Windpower Development LP

Creststreet Windpower Development LP (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on August 12, 2004. The Partnership was established to invest in securities of Canadian companies that are engaged in the development of commercial scale wind power projects ("Wind Energy Companies"). The objective of the Partnership is to finance the development by Wind Energy Companies of projects that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation.

As at June 30, 2005, the Partnership has invested in flow-through shares of five Wind Energy Companies, Kettles Hill Wind Energy Inc. ("Kettles Hill"), Dokie Wind Energy Inc. ("Dokie"), Bonavista Wind Power Inc. ("Bonavista"), Windrise Power Inc. ("Windrise") and Benchlands Wind Power Corp. ("Benchlands") that will construct and then operate wind energy projects to generate electricity for sale to provincial electricity utilities.

The General Partner of the Partnership is Creststreet Windpower Development General Partner Limited ("General Partner"). The General Partner has a 0.01 percent beneficial interest in the Partnership. The Partnership has entered into an agreement with the General Partner, pursuant to which the General Partner will perform certain management, administration and other services for the Partnership. The General Partner is a wholly owned subsidiary of Creststreet Capital Corporation ("Creststreet").

Basis of presentation

The interim period consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles. The preparation of the financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated statements. The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, accordingly, certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed or omitted. These financial statements have been prepared using the same accounting principles as used in the annual audited financial statements and should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the Partnership's 2004 Annual Report. The results of operations of any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Cash Held in Escrow

The Partnership has entered into flow-through share subscription agreements to purchase \$3,475 of shares of Kettles, \$2,125 of shares of Dokie, \$500 shares of Bonavista and \$500 shares of Windrise and \$100 of

shares of Benchlands upon receipt of satisfactory evidence of expenditures qualifying for Canadian Renewable Conservation Expenses ("CRCE"). Accordingly, cash received under the subscription agreements was held in escrow. At June 30, 2005, the amount held in escrow was \$2,820 (\$4,063 at December 31, 2004).

4. Deferred Development Costs

| Kettles Hill Wind Energy Inc. | June 30, 2005 | December 31, 2004 |
|------------------------------------------------|----------------------|--------------------------|
| Deferred development costs beginning of period | \$ 4,200 | \$ - |
| Development costs deferred | 1,493 | 4,200 |
| Deferred development costs, end of period | \$ 5,693 | \$4,200 |

| Dokie Wind Energy Inc. | June 30, 2005 | December 31, 2004 |
|------------------------------------------------|----------------------|--------------------------|
| Deferred development costs beginning of period | \$ 143 | \$ - |
| Development costs deferred | 575 | 143 |
| Deferred development costs, end of period | \$ 718 | \$ 143 |

| Windrise Power Inc . | June 30, 2005 | December 31, 2004 |
|------------------------------------------------|----------------------|--------------------------|
| Deferred development costs beginning of period | \$ 44 | \$ - |
| Development costs deferred | 212 | 44 |
| Deferred development costs, end of period | \$ 256 | \$ 44 |

| Bonavista Wind Power Inc. | June 30, 2005 | December 31, 2004 |
|------------------------------------------------|----------------------|--------------------------|
| Deferred Development costs beginning of period | \$ - | \$ - |
| Development cost deferred | 51 | - |
| Deferred development costs, end of period | \$ 51 | \$ - |

| Benchlands Wind Power Corp. | June 30, 2005 | December 31, 2004 |
|-------------------------------------------------|----------------------|--------------------------|
| Deferred Development costs beginning of period | \$ - | \$ - |
| Development cost deferred | 40 | - |
| Deferred development costs, end of period | \$ 40 | \$ - |
| Total deferred development costs, end of period | \$ 6,758 | \$ 4,387 |

5. Related Party Transactions

Pursuant to Joint Venture Agreements Creststreet will earn monthly fees of \$8 for financial and administrative services and the Joint Venture Partners will earn monthly fees of \$59 for services related to the development of the projects. For the three months and six months ended June 30, 2005, the projects incurred \$191 and \$362 (2004 – Nil) under these agreements.

In 2005, the Partnership paid a fee of \$25 to Creststreet 2004 Limited Partnership as compensation for waiving its right of first refusal in respect of certain wind power investments made by the Partnership.

Creststreet is entitled to a monthly fee of \$15 in accordance with the Management Agreement for administrative services provided to the Partnership. For the three months and six months ended June 30, 2005, fees paid to Creststreet were \$48 and \$96 (2004 – Nil).

The amounts due from (to) related parties as at June 30, 2005 and December 31, 2004 are as follows:

| | June 30, 2005 | December 31, 2004 |
|---------------------------------------|---------------|-------------------|
| General Partner | \$ - | \$ 2,368 |
| Creststreet Capital Corporation | (46) | (19) |
| Creststreet Kettles Hill Windpower LP | 16 | - |
| Creststreet 2004 Limited Partnership | - | (25) |
| Earth First Energy Inc. | (2) | (64) |
| Windbreaker Energy Inc. | (22) | - |
| | \$ (54) | \$ 2,260 |

6. Commitments

Kettles Hill has entered into a Turbine Supply Agreement with Vestas pursuant to which Vestas will supply and deliver five Vestas V80 wind turbines for the CRCE Turbine Phase and thirty Vestas V80 turbines for the Infill Construction Phase. The Company has also entered into a Warranty, Maintenance and Service Agreements ("WMS Agreement") with Vestas which provides for certain warranties in connection with the wind turbines to be installed at the wind energy project and which also provides for ongoing service and maintenance, obligations in connection with the turbines. The WMS Agreement includes a facility-wide warranty, which commences on substantial completion of the Infill Construction Phase, related to power curve performance and availability of the facility. In the event that the facility fails to perform as warranted, the WMS Agreement provides that the Company will be entitled to liquidated damages to offset any lost revenue. The contract is for a 5-year period commencing at the date that the turbines come into service. The total commitment to Vestas is approximately \$78,325 which is comprised of two portions Cdn\$27,775, and €30,609. To hedge a portion of the foreign currency exposure, three European style Euro against the Canadian dollar call options have been purchased for a total principal amount of €20,000. With €5,000 to settle on April 7, 2006, €10,000 to settle on April 28, 2006 and €5,000 to settle on June 15, 2006.

7. Flow Through Shares

Resource expenditure deductions for income tax purposes related to development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, partners' equity has been reduced and a future tax liability has been recorded equal to the estimated amount of future income taxes payable by Kettles Hill, Dokie, Bonavista, Windrise and Benchlands as a result of the renunciations, when the renunciations are made. Renunciations made during 2005 resulted in a future tax liability of \$2,288.

8. Subsequent Events

On July 11, 2005, Creststreet Kettles Hill Windpower LP completed its initial public offering and raised sufficient capital to finance the CRCE phase as well as a portion of the Infill phase of the planned 63 megawatt Kettles Hill wind power project. The Partnership has since become a minority shareholder of Kettles Hill and will no longer consolidate Kettles Hill.