

Interim Report > 2006

Interim Management Report of Fund Performance

For the six-month period ended June 30, 2006

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

SHAREHOLDERS 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. SHAREHOLDERS MAY ALSO CONTACT US USING ONE OF THESE METHODS TO REQUEST A COPY OF THE FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

Financial Highlights

The following tables show selected key financial information about the Fund, and are intended to help you understand the Fund's financial performance for the past four years and the six-month period ended June 30, 2006. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements.

> The Fund's Net Asset Value ("NAV") per Share

	January 1 to June 30, 2006	For the years ended December 31,			
		2005	2004	2003	2002
Net asset value, beginning of period	\$ 22.09	\$ 17.85	\$ 15.49	\$ 11.37	\$ 10.00
(Decrease) increase from operations					
Total revenue	0.07	0.22	0.05	0.09	0.29
Total expenses	(0.27)	(0.65)	(0.56)	(0.56)	(0.67)
Realized (loss) gain on investments	(0.25)	3.22	1.48	2.08	1.17
Unrealized (loss) gain on investments	(3.45)	1.80	2.50	1.93	0.64
Total (decrease) increase from operations ⁽¹⁾	(3.90)	4.59	3.47	3.54	1.43
Distributions					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(4.34)	(1.52)	(2.31)	(0.73)	-
Return of capital	-	-	-	-	-
Total annual distributions⁽²⁾	(4.34)	(1.52)	(2.31)	(0.73)	-
Net asset value, end of period⁽³⁾	\$ 13.68	\$ 22.09	\$ 17.85	\$ 15.49	\$ 11.37

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

(2) Distributions were paid in cash or reinvested in additional units.

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

Interim Management Report of Fund Performance (cont'd)

> Ratios and Supplemental Data

	June 30, 2006	December 31,			
		2005	2004	2003	2002
Net assets (000's) ⁽¹⁾	\$ 67,831	\$ 64,890	\$ 36,066	\$ 18,994	\$ 3,674
Number of shares outstanding ⁽¹⁾	4,958,793	2,937,667	2,020,408	1,226,249	323,189
Management expense ratio ("MER") ⁽²⁾	3.29%	3.37%	3.93%	4.64%	6.71%
Portfolio turnover rate ⁽³⁾	135.41%	97.05%	43.30%	47.27%	66.41%
Trading expense ratio ⁽⁴⁾	1.01%	0.53%	0.82%	0.96%	1.19%

- (1) This information is provided as at June 30, 2006 and as at December 31 of the years 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 Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund 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.

Creststreet Resource Fund has achieved a strong track record by maintaining a disciplined investment focus on the natural gas sector. It is the Manager’s view that the depression in natural gas prices is temporary and continues to maintain its long-term view 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 becoming further exacerbated as costs required to bring on incremental production escalate. 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 Fund’s investment portfolio.

The Fund has experienced a decline in dividend revenue for the first six months of 2006 compared to the same period in 2005. The amount of dividend income realized by the Fund in 2005 was due to merger and acquisition activity that caused a number of portfolio holdings to be bought by royalty trusts and, as a result, the Fund held units of distribution and dividend-paying securities for part of 2005. The Fund has since disposed of most of its trust holdings and dividend income has decreased accordingly. Interest income has increased marginally due to a combination of increased cash balances and an increase in interest rates.

The Fund’s total expenses have increased by 4% from the semi-annual period in 2005. The Fund’s two largest expenses, management fees and service fees, are driven exclusively by the Fund’s net asset value (“NAV”). Custodian fees are also a function of the Fund’s NAV. The Fund’s average NAV for the six-month period increased from \$89.9 million in 2005 to \$98.3 million in 2006, an increase of 9%. Management fees, service fees, and custodian fees were up 10%, 9%, and 12%, respectively.

Summary of Investment Portfolio

As at June 30, 2006

Description	Total % of net assets
Investments in long positions	
Cash and cash equivalents	44.27%
Natural gas	32.53%
Oil	24.01%
Other net assets	2.33%
Energy services	0.97%
Investments in short positions	
Natural gas	(3.18%)
Oil	(0.93%)
	100.00%

Interim Management Report of Fund Performance (cont'd)

> Top Positions

As at June 30, 2006 (Unaudited)

Description	Cost (proceeds)	Market value	% of net assets
Investments in long positions			
Prairie Schooner Petroleum Ltd.	\$ 4,696,227	\$ 3,923,904	5.78%
Accrete Energy Inc.	2,865,447	3,640,490	5.37%
Rider Resources Ltd.	3,895,858	3,550,000	5.23%
West Energy Ltd.	4,293,455	3,510,500	5.18%
Crew Energy Inc.	3,940,773	3,374,120	4.97%
TriStar Oil & Gas Ltd.	3,280,929	3,260,600	4.81%
Kereco Energy Ltd.	3,201,171	2,898,630	4.27%
Orleans Energy Ltd.	2,970,143	2,896,920	4.27%
Mission Oil & Gas Inc.	1,370,273	2,640,637	3.89%
Chamaelo Exploration Ltd.	3,727,333	2,520,000	3.72%
Cordero Energy Inc.	2,629,585	2,468,050	3.64%
Real Resources Inc.	1,962,957	2,066,000	3.05%
Timing Energy Inc.	500,045	1,162,500	1.71%
Xtreme Coil Drilling Corp.	859,845	660,000	0.97%
Gibraltar Exploration Ltd.	240,045	240,000	0.35%
Dual Exploration Inc.	250,845	200,640	0.30%
Total investments in long positions	\$ 40,684,931	\$ 39,012,991	57.51%
Investments in short positions			
Compton Petroleum Corporation	\$ (908,880)	\$ (968,250)	(1.43%)
Delphi Energy Corp.	(924,545)	(965,160)	(1.42%)
Bear Ridge Resources Ltd.	(381,588)	(415,000)	(0.61%)
Blue Mountain Energy Ltd.	(410,956)	(412,460)	(0.61%)
Birchcliff Energy Ltd.	(26,128)	(26,750)	(0.04%)
Total investments in short positions	\$ (2,652,097)	\$ (2,787,620)	(4.11%)
Cash and cash equivalents		30,028,012	44.27%
Other net assets		1,577,870	2.33%
Total net asset value		\$ 67,831,253	100.00%

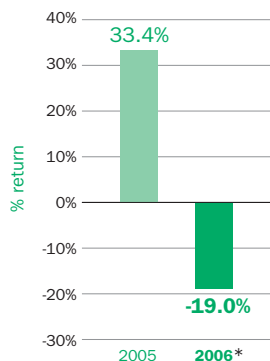
The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 864-6330, by writing to us at Creststreet Mutual Funds Limited, 70 University Avenue, Suite 1450, Toronto, ON, M5J 2M4, or by visiting our website at www.creststreet.com.



Past Performance

The performance information shown assumes that distributions made by the Fund were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other optional charges that would have reduced returns or performance. The Fund's past performance is not necessarily indicative of its future performance.

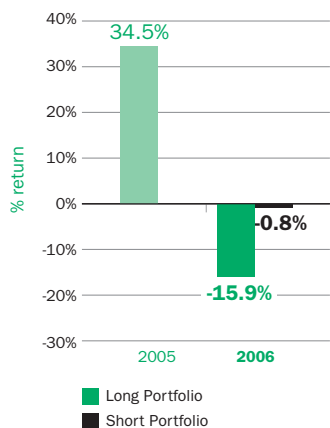
> Year-by-Year Returns



This bar chart shows the Fund's annual return for 2005 and the total return for the six month period ended June 30, 2006. The Fund was not a reporting issuer prior to 2005. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year and the six-month period ended June 30, 2006.

* Total return for the six-month period ended June 30, 2006.

> Portfolio Returns



This chart shows the Fund's total returns on its investments in long and short positions for the year ended December 31, 2005, and for the six-month period ended June 30, 2006. Note that the Fund did not engage in short positions prior to 2006.

The return for 2005 represents the Fund's internal rate of return on all portfolio transactions for the year. The returns for the six-month period ended June 30, 2006 were calculated by taking the net losses attributable to the long and short portfolios on a per share basis and dividing by the opening net asset value per share.

Interim Management Report of Fund Performance (cont'd)

Investment Objectives and Strategies

The Fund's investment objectives are to provide for the long-term growth of capital and, to a lesser extent, the production of income through investment in equity securities of Canadian resource issuers.

To meet its objectives, the Fund will invest primarily in companies in the Canadian energy industry. Investments will be selected based on their cost of production, reserve base, and potential for exploration success. The Fund employs a value-oriented, "bottom-up" approach to investing. This involves a detailed analysis of the strengths of individual investments with much less emphasis on short-term market factors. Importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential, and management ability.

Other Material Information

The Fund is one of three classes of shares of Creststreet Mutual Funds Limited. There are two other classes of shares: Creststreet Managed Income Fund and Creststreet Managed Equity Index Fund.

A key feature of the Fund is its role in providing liquidity to those who invest in Creststreet limited partnerships ("LPs"). Each year, Creststreet offers for sale a limited number of units in one or more LPs. The objective of the LPs is to invest in the flow-through securities of resource companies that engage in oil and gas, mining or renewable energy exploration and development in Canada. Investors in the LPs are entitled to claim certain deductions and credits for income tax purposes. An LP operates for slightly less than two years. On or about the third Friday of January in the second year following its establishment, the LP transfers all of its assets to the Fund and the LP is dissolved shortly thereafter. The LP investors receive shares in the Fund in exchange for their LP units on a pro-rata basis on the date of the transfer. The following table shows the dollar value of the assets that each LP has transferred to the Fund.

Date	Partnership	Net assets transferred
January 15, 2002	Creststreet 2000 Limited Partnership	\$ 7,286,890
January 17, 2003	Creststreet 2001 Limited Partnership	\$ 15,312,298
January 17, 2003	Creststreet 2001 (II) Limited Partnership	\$ 14,294,962
January 23, 2004	Creststreet 2002 Limited Partnership	\$ 36,608,912
January 21, 2005	Creststreet 2003 Limited Partnership	\$ 41,635,412
January 21, 2005	Creststreet 2003 (II) Limited Partnership	\$ 25,510,837
January 20, 2006	Creststreet 2004 Limited Partnership	\$ 63,593,587



The LP investors who receive shares of the Fund in return for their LP units are restricted from redeeming or switching those shares to other classes of Creststreet Mutual Funds Limited until on or about the last Friday of May in the year of the transfer. This allows the Fund to generate liquidity to fund redemptions by strategically exiting investments over a reasonable period of time. The Fund has obtained a standing exemption from the securities regulators in each province allowing restrictions on the redemption and switching of shares issued to LP investors on the transfer of assets.

Recent Developments

On February 24, 2006, Creststreet completed the final closing of its initial public offering of Creststreet 2006 Limited Partnership (the “2006 LP”). The 2006 LP raised a total of \$40 million for investment in flow-through shares of Canadian resource companies.

On August 16, 2006, Creststreet completed a closing of its initial public offering of Creststreet 2006 (II) Limited Partnership (the “2006 (II) LP”). The maximum offering is \$40 million, and it is expected that the assets of the 2006 LP and 2006 (II) LP will be transferred to the Fund on or about January 18, 2008.

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 Manager 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 Manager. As a result of this transaction, the Fund is deemed to have had a year-end for tax purposes and will be required to pay out sufficient dividends so that the Fund will not be subject to any income tax.

Related Party Transactions

Management fees are paid to Creststreet Asset Management Limited (the “Manager”) for the management of the Fund’s day-to-day administration. The Fund also pays a service fee to the Manager, which the Manager then remits to dealers as consideration for administering the Fund’s assets for the dealers’ clients.

At December 31, 2005, the Fund had an investment of 612,648 units of the Creststreet Power & Income Fund LP (“CPIFLP”) (cost \$5,360,666, market value \$4,502,963). The general partner of CPIFLP is an affiliate of the Manager. Subsequent to year-end, the Fund disposed of all of its holdings of CPIFLP units.

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration for such services, the Fund pays the Manager a fee equal to 2.0% per annum of the net asset value of the Fund, calculated and paid monthly in arrears. GST is paid on all management fees.

The Fund also pays dealers a service fee as consideration for administering the Fund's assets held by those dealers. The service fee is calculated as a percentage of the net asset value each dealer administers and is based on the closing balance of client accounts at the end of each calendar month. The Fund pays service fees on a quarterly basis at a rate of 0.5% per annum of the Fund's net asset value. For the six months ended June 30, the Fund paid the following amounts to the Manager:

	2006		2005	
Management fees	\$ 1,053,854	81.63%	\$ 961,964	81.61%
Service fees paid to dealers	237,113	18.37%	216,808	18.39%
Total fees paid to the Manager	\$ 1,290,967	100.00%	\$ 1,178,772	100.00%

Risk

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



Statements of Net Assets

	June 30, 2006 (unaudited)	December 31, 2005 (audited)
Assets		
Investments in securities at market value	\$ 39,012,991	\$ 63,810,716
Cash and cash equivalents	30,028,012	2,025,406
Deposits with brokers for securities sold short	1,940,988	-
Due from broker	1,710,373	734,243
Interest receivable	55,500	8,050
Dividends receivable	4,250	39,525
Other accounts receivable	6,908	-
	72,759,022	66,617,940
Liabilities		
Securities sold short at market value	2,787,620	-
Due to broker	1,436,916	1,275,045
Accounts payable and accrued liabilities	356,807	317,101
Redemptions payable	346,426	136,099
	4,927,769	1,728,245
Net assets	\$ 67,831,253	\$ 64,889,695
Shares outstanding	4,958,793	2,937,667
Net asset value per share	\$ 13.68	\$ 22.09

See accompanying notes to financial statements.

Approved by Creststreet Mutual Funds Limited

Robert J. Toole
Director

Larry J. Macdonald
Director

Statements of Operations

For the six months ended June 30 (unaudited)

	2006	2005
Investment income		
Interest income	\$ 314,321	\$ 202,117
Dividend income	100,865	438,033
	415,186	640,150
Expenses		
Management fees (note 3)	1,053,854	961,964
Service fees	237,113	216,808
Operating expenses	158,095	164,683
Legal and filing fees	28,225	68,375
Shareholder reporting	40,856	52,648
Custodian fees	39,522	35,193
Audit fees	34,978	30,187
Directors' fees	27,498	25,829
Capital tax	3,516	-
	1,623,657	1,555,687
Loss from investment operations	(1,208,471)	(915,537)
Realized and unrealized gain (loss) on investments		
Cost of investments, beginning of period	45,053,254	24,272,785
Investments purchased during the period	112,867,011	99,275,556
	157,920,265	123,548,341
Cost of investments, end of period	38,032,834	46,910,242
Cost of investments sold	119,887,431	76,638,099
Proceeds of investments sold	118,388,651	85,133,153
Net realized (loss) gain on sale of investments	(1,498,780)	8,495,054
Net change in unrealized appreciation/depreciation of investments	(20,564,925)	(3,181,192)
Net (loss) gain on investments	(22,063,705)	5,313,862
(Decrease) increase in net assets from operations	\$ (23,272,176)	\$ 4,398,325
Per share		
(based on the average number of shares outstanding)		
(Decrease) increase in net assets from operations per share	\$ (3.90)	\$ 0.85

See accompanying notes to financial statements.



Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)

	2006	2005
Net assets, beginning of period	\$ 64,889,695	\$ 36,066,051
Operations		
(Decrease) increase in net assets from operations	(23,272,176)	4,398,325
Dividends to shareholders		
Capital gain dividend (note 5)	(23,936,024)	(8,388,055)
Share capital transactions		
Proceeds from issue of shares	63,697,217	67,494,243
Reinvested dividends	23,883,296	8,375,898
Redemptions	(37,430,755)	(43,750,985)
	50,149,758	32,119,156
Increase in net assets	2,941,558	28,129,426
Net assets, end of period	\$ 67,831,253	\$ 64,195,477

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at June 30, 2006 (unaudited)

	Number of securities	Type of security	Cost (proceeds)	Market value
Investments in securities				
Prairie Schooner Petroleum Ltd.	256,800	Common shares	\$ 4,696,227	\$ 3,923,904
Accrete Energy Inc.	520,070	Common shares	2,865,447	3,640,490
Rider Resources Ltd.	250,000	Common shares	3,895,858	3,550,000
West Energy Ltd.	850,000	Common shares	4,293,455	3,510,500
Crew Energy Inc.	251,800	Common shares	3,940,773	3,374,120
TriStar Oil & Gas Ltd.	479,500	Common shares	3,280,929	3,260,600
Kereco Energy Ltd.	270,900	Common shares	3,201,171	2,898,630
Orleans Energy Ltd.	112,600	Common shares	712,803	658,710
Orleans Energy Ltd.	382,600	Subscription receipts	2,257,340	2,238,210
Mission Oil & Gas Inc.	185,438	Common shares	1,370,273	2,640,637
Chamaelo Exploration Ltd.	500,000	Common shares	3,727,333	2,520,000
Cordero Energy Inc.	379,700	Common shares	2,629,585	2,468,050
Real Resources Inc.	100,000	Common shares	1,962,957	2,066,000
Timing Energy Inc.	500,000	Common shares	500,045	1,162,500
Xtreme Coil Drilling Corp.	60,000	Common shares	859,845	660,000
Gibraltar Exploration Ltd.	20,000	Common shares	240,045	240,000
Dual Exploration Inc.	132,000	Common shares	250,845	200,640
Total investments in securities			\$ 40,684,931	\$ 39,012,991
Securities sold short				
Compton Petroleum Corporation	(75,000)	Common shares	\$ (908,880)	\$ (968,250)
Delphi Energy Corp.	(229,800)	Common shares	(924,545)	(965,160)
Bear Ridge Resources Ltd.	(100,000)	Common shares	(381,588)	(415,000)
Blue Mountain Energy Ltd.	(100,600)	Common shares	(410,956)	(412,460)
Birchcliff Energy Ltd.	(5,000)	Common shares	(26,128)	(26,750)
Total securities sold short			\$ (2,652,097)	\$ (2,787,620)

See accompanying notes to financial statements.



Notes to Financial Statements

For the six months ended June 30, 2006 and 2005 (unaudited)

1. Creststreet Mutual Funds Limited

Creststreet Resource Fund (the "Fund"), along with Creststreet Managed Income Fund and Creststreet Managed Equity Index Fund (together the "Funds") are share classes of Creststreet Mutual Funds Limited (the "Corporation"). The Corporation was formed under the *Canada Business Corporations Act* by articles of incorporation dated October 13, 1999, as amended by articles of amendment dated July 18, 2000, May 16, 2001, December 11, 2001, January 11, 2002, December 5, 2002, May 15, 2003, April 26, 2004, September 2, 2004, December 22, 2004 and March 29, 2005. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at June 30, 2006 and December 31, 2005, and the results of operations and the changes in net assets for the six months ended June 30, 2006 and 2005, and do not contain the financial statements of the Corporation. Because the Funds are part of the Corporation, the Corporation as a whole is liable for the expenses and obligations of each of the Funds. There exists the possibility that the Fund could be liable for an expense or obligation of another of the Funds; however, the Manager is diligent to ensure that such a liability will not occur.

Creststreet Asset Management Limited (the "Manager") is the Manager of the Fund.

The Fund has been structured to provide for the tax-deferred transfer of assets from flow-through limited partnerships managed by Creststreet in exchange for shares of the Fund with an equal net asset value. To date the following seven partnerships have rolled their investment portfolios into the Fund:

Date	Partnership	Net assets transferred	Ratio of mutual fund shares received
January 15, 2002	Creststreet 2000 Limited Partnership	\$ 7,286,890	0.728689
January 17, 2003	Creststreet 2001 Limited Partnership	\$ 15,312,298	0.738044
January 17, 2003	Creststreet 2001 (II) Limited Partnership	\$ 14,294,962	0.817004
January 23, 2004	Creststreet 2002 Limited Partnership	\$ 36,608,912	0.660476
January 21, 2005	Creststreet 2003 Limited Partnership	\$ 41,635,412	0.652611
January 21, 2005	Creststreet 2003 (II) Limited Partnership	\$ 25,510,837	0.557083
January 20, 2006	Creststreet 2004 Limited Partnership	\$ 63,593,587	0.584901

Upon the above transfers, the partnerships were dissolved at which time the net assets were allocated 99.99% to the limited partners and 0.01% to the general partner.

Notes to Financial Statements (cont'd)

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 Fund:

a. Cash and Cash Equivalents, and Other Monetary Balances

The carrying values of cash and cash equivalents, due from and to broker, deposits with brokers for securities sold short, interest receivable, dividends receivable, other accounts receivable, accounts payable and accrued liabilities, and redemptions payable approximate their fair values due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments

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. Securities for which no published market exists are valued at cost unless a different fair market value is determined by the Manager. Any change in value is recorded in "Net change in unrealized appreciation/depreciation of investments" on the statements of operations.

c. Investment Transactions and Income and Expense 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 record date and interest income is accrued as earned.

d. Income Taxes

The Fund qualifies as a mutual fund corporation as defined in the *Income Tax Act (Canada)*. The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 $\frac{1}{3}$ % of taxable dividends distributed by the Fund to its shareholders. The Fund is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Fund intends to pay out sufficient net income and net capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made.

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. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee equal to 2.0% per annum of the net asset value of the Fund calculated and payable monthly in arrears. In the six months ended June 30, 2006, the management fee amounted to \$1,053,854 (2005 – \$961,964). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The management expense ratio (“MER”) is calculated based on the total management expenses of the Fund as a percentage of the weighted average net assets of the Fund for the semi-annual period and is presented on an annualized basis. This MER is inclusive of the GST in accordance with National Instrument 81-102. The Fund’s MER was 3.29% for the six months ended June 30, 2006 (2005 – 3.36%).

4. Brokerage Commissions

The Fund paid brokerage commissions amounting to \$496,992 for the six months ended June 30, 2006 (2005 – \$222,489).

5. Dividends Paid to Shareholders

On March 10, 2006, the Fund paid a capital gain dividend totaling \$23,936,024 (2005 – \$8,388,055) or \$4.4357 per share (2005 – \$1.5227) to Fund shareholders of record as at March 3, 2006. The dividend reduced the net asset value per share by \$4.4357 and was automatically reinvested in additional shares leaving the total value of a shareholder’s investment unchanged. For the six months ended June 30, 2006, \$23,883,296 was reinvested into the Fund (2005 – \$8,375,898).

6. Subscription and Redemption of Securities

Securities of the Fund may be subscribed or redeemed at the net asset value per share next determined after receipt of a subscription or redemption request at the registered office of the Fund or its transfer agent. Requests received before 4:00 p.m. EST on a valuation day will receive the net asset value per share on that valuation day. Subscription or redemption requests received after 4:00 p.m. EST will receive the net asset value per share on the next valuation day. Subscription or redemption requests may be provided electronically or in written form, provided that all documentation is in good order and has been signature guaranteed as necessary. Appropriate signature guarantors include Canadian chartered banks and trust companies, a dealer, a member of a recognized stock exchange in Canada or any guarantor acceptable to the Fund.

7. Comparative Figures

The Fund has reclassified the comparative figures, where necessary, to conform to the current period’s presentation.

Creststreet Mutual Funds 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

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

Transfer Agent and Registrar

International Financial Data Services

(Canada) Limited

Toronto, Ontario

Investment Advisor

Creststreet Asset Management Limited

Toronto, Ontario

Custodian

National Bank Correspondent Network

Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

CAM 100, CAM 105, CAM 200,

CAM 300

Auditors

KPMG LLP

Toronto, Ontario

Registered Address

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