Creststreet Windpower Development LP

Quarterly Report > Q1 2006

Management's Discussion and Analysis

(All amounts in thousands of dollars except per unit amounts or where otherwise stated)

The following is a discussion of the consolidated financial condition and results of operation of Creststreet Windpower Development LP (the "Partnership"). It should be read in conjunction with the audited financial statements. The Partnership prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts in this management's discussion and analysis ("MD&A") are in Canadian dollars unless otherwise stated. Where we say "we," "us," or the "Partnership," we mean Creststreet Windpower Development LP.

Certain statements contained in this MD&A and elsewhere in this annual report constitute "forward-looking statements" within the meaning of the Securities Act (Ontario). These forward-looking statements, by their nature, are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. Some of these risks and uncertainties as well as additional information are outlined in this MD&A.

The Partnership disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law. These cautionary statements expressly qualify all forward-looking statements attributable to the Partnership.

Overview

In late 2004, the Partnership raised $12,000 to invest in Canadian companies engaged in the development of commercial scale windpower projects. A focus of the Partnership was to maximize financing expenditures that qualify as Canadian Renewable and Conservation Expenses ("CRCE") which are 100% tax deductible in the year incurred and can be renounced to investors via flow-through shares. The Partnership entered into flow-through financing commitments of $6,550 during 2004 and $1,665 during 2005, investing in an additional $900 note receivable and $550 in equity investments in 2004 and 2005, respectively. The Partnership has also set aside an additional $538 for equity investments in 2006. In aggregate, the Partnership has invested, committed or intends to invest $10,203 in wind energy companies, and the remainder of the funds raised were set aside for expenses.

The Partnership has invested in flow-through shares of seven Canadian companies: Dokie Wind Energy Inc., Bonavista Wind Power Inc., Windrise Power Inc., Benchlands Wind Power Corp., Grand Valley Wind Farms Inc., 4333233 Inc. (together the "Wind Energy Companies") and Kettles Hill Wind Energy Inc. The objective of the Partnership is to finance the development by Wind Energy Companies of projects that, upon completion, will produce wind energy and provide long-term cash flow and capital appreciation.

On July 11, 2005, the Partnership's first investment in a developing wind company moved into the construction phase when Creststreet Kettles Hill Windpower LP ("CKHLP"), a related party of the Partnership, completed its initial public offering, raising gross proceeds of $40,000. The net proceeds of the initial public offering were used to finance the CRCE Phase as well as a portion of the Infill Phase of the planned 63 megawatt ("MW") Kettles Hill windpower project. CKHLP's investment in Kettles Hill reduced the Partnership's interest from 100% to 16.85% and resulted in a dilution gain of $1,975. As of July 11, 2005, the Partnership no longer controlled Kettles Hill and as a result ceased consolidation accounting and commenced equity accounting for its investments.

The Kettles Hill Wind Energy Inc. ("Kettles Hill") project is situated near Pincher Creek, Alberta, approximately 200 kilometers south of Calgary and approximately 20 kilometers east of the Rocky Mountains. The site is adjacent to a 138 kilovolt ("kV") transmission line. In December 2005, Kettles Hill announced the closing of a senior secured debt facility of up to $42,500 and a commitment from Creststreet Power & Income Fund LP to purchase up to $31,000 of subordinated notes. As a result, Kettles Hill has obtained sufficient financing commitments to complete the construction of the windpower project. Kettles Hill had erected and commissioned five test wind turbines as of March 2006 ("CRCE Phase") and is producing and selling power to the provincial grid. Following a 120-day test period, and subject to satisfactory test results during such period, Kettles Hill intends to erect its remaining 30 wind turbines (the "Infill Phase"). We expect the windpower project to be completed by the end of 2006.

The Dokie Wind Energy Inc. ("Dokie") project is situated in the Peace River region of British Columbia and is expected to have the potential for an installed capacity of up to 600 MW of renewable energy. After completion of key development studies and further accumulation of wind data at various locations on the projects, Dokie submitted bids for two separate projects to acquire a Power Purchase Agreement ("PPA") with BC Hydro. Several bids, including ours, were placed in April 2006 and we expect a response from BC Hydro by August 2006.

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 MW of renewable energy. Windrise has conducted most of the required environmental, wind resource, and engineering studies. Because this project is in a transmission constrained area, its interconnection to the transmission grid is dependent on transmission upgrades which, as a result of several delays, are expected to be completed in 2008.

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 MW of renewable energy. Bonavista has been developed to the extent that it is ready to bid for a PPA from Newfoundland and Labrador Hydro. This bid will be placed in August 2006, with a response expected in late 2006.

The Benchlands Wind Power Corp. ("Benchlands") project is situated near Tompkins, Saskatchewan and is expected to have the development potential for an installed capacity of up to 70 MW of renewable energy. Benchlands filed a bid for a PPA with SaskPower in November 2005. We expect a response in the spring of 2006. Benchlands also has a signed PPA with SaskPower for 4.5 MW which at this time is uneconomic given its small size and high interconnection costs.

Grand Valley Wind Farms Inc. ("Grand Valley") is situated near Grand Valley, Ontario and is expected to have the development potential for an installed capacity of up to 40 MW of renewable energy. Grand Valley has been developed to the extent that it is ready to bid for a PPA from the Ontario Power Authority. This bid is expected to be placed in the summer of 2006 and a response is anticipated by the fall of 2006.

4333233 Inc., renamed Buffalo Atlee Wind Energy Inc. ("Buffalo Atlee"), is situated near Brooks, Alberta, and is expected to have the development potential for an installed capacity of up to 360 MW of renewable energy. This site is at an early stage of development. Over the next year, preliminary development activities will be undertaken, including measuring the wind resource, investigating an interconnection, and various environmental and engineering studies.

In April 2006 Creststreet Windpower Development (II) LP, a related party of the Partnership, entered into subscription agreements to subscribe for Class A shares of Dokie and Grand Valley for $740 and $100 respectively.

Results of Operations

- For the three months ended March 31, 2006, we earned $27 in interest income on short-term investments, paid management fees of $48 and incurred administrative costs of $34 related to the operation of the Partnership. All of the Wind Energy Companies are in their development stages and have not started operations.

- For the three months ended March 31, 2005, we earned $18 in interest income on short-term investments, paid management fees of $48 and incurred administrative costs of $111 related to the operation of the Partnership.

Quarterly Financial Information

(In thousands, except per unit amounts)	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	FY 2005
Revenue	$ 23	$ 18	$ 16	$ 79	$ 27	$ 140
Net income (loss)	$ (330)	$ (141)	$ (62)	$ 1,995	$ (181)	$ 1,611
Net income (loss) per unit	$ (0.71)	$ (0.12)	$ (0.05)	$ 1.66	$ (0.15)	$ 1.34

	Q1 2006
Revenue	**$ 27**
Net income (loss)	**$ (55)**
Net income (loss) per unit	**$ (0.01)**

On July 11, 2005, CKHLP's investment in Kettles Hill reduced the Partnership's interest from 100% to 16.85% and resulted in a dilution gain of $1,975 in the third quarter of 2005.

Financial Condition

Liquidity

Cash and cash equivalents and cash held in escrow decreased to $1,483 at March 31, 2006, from $3,489 at December 31, 2005, primarily due to the funding of deferred development costs.

Assets and Liabilities

At March 31, 2006, we had total assets of $11,999 compared with $13,336 at December 31, 2005. The total assets include $654 of cash held in escrow, deferred development costs of $4,732, pre-operating costs of $214, long-term investment of $4,397 and a net working capital of $1,156. The deferred development costs and pre-operating costs were related to pre-construction development of the Wind Energy Companies' projects and were funded primarily from cash held in escrow.

Contractual Obligations

As at March 31, 2006, the Partnership has entered into subscription agreements with the Wind Energy Companies to subscribe for Class A shares to fund the companies' development costs as follows:

	Investment Pursuant to Subscription Agreements	Amount Advanced	Amount in Escrow	Amount Remaining to be Advanced
Kettles Hill	$ 3,600	$ 3,600	$ –	$ –
Dokie	3,100	2,918	182	182
Bonavista	550	472	31	78
Windrise	740	619	101	121
Benchlands	215	134	77	81
Grand Valley	300	283	1	18
Buffalo Atlee	260	–	262	260
	$ 8,765	$ 8,026	$ 654	$ 740

Related Party Transactions

Pursuant to joint venture agreements, for the first quarter of 2006, Creststreet Capital Corporation ("CCC") earned $33 (2005 – $21) for financial and administrative services, and Earth First Energy Inc., Windbreaker Energy Inc., Windworks Energy Corp., Land's End Corp., and Windcor Power Systems (collectively the "Joint Venture Partners") earned $261 (2005 – $150) for services related to the development of the projects. CCC and the Joint Venture Partners are also entitled to certain out-of-pocket reimbursements.

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

CCC is entitled to a monthly fee of $15 in accordance with the Management Agreement for administrative services provided to the Partnership. For the first quarter of 2006, fees paid to CCC were $45 (2005 – $45).

In 2005, the Partnership invested in a subordinated note with Kettles Hill for $900 to finance Kettles Hill pre-development costs. Interest is charged at a rate of 10% per annum. For first quarter of 2006, the Partnership earned $22 of interest income from the note.

The amounts paid to related parties are as follows:

Three months ended	**March 31, 2006**	March 31, 2005
Earth First Energy Inc.	**$ 140**	$ 90
Creststreet Capital Corporation	**81**	79
Land's End Corp.	**70**	–
Windbreaker Energy Inc.	**45**	60
Windcor Power Systems	**30**	–
Windworks Energy Corp.	**21**	–
Wind Project Inc.	**2**	2
Creststreet 2004 Limited Partnership	**–**	25
	$ 389	$ 256

Change in Partners' Capital and Retained Earnings

Partners' capital decreased to $9,610 at March 31, 2006, from $10,208 at December 31, 2005. The decrease was primarily due to a net loss from operations of $55 and an increase in the future income taxes of $542. Future income taxes were recorded based on the amount of renunciation of Canadian Renewable and Conservation Expenses ("CRCE") to March 31, 2006 and are offset against partners' equity to reflect the value of tax deductions flowed through to limited partners.

Outlook

The Manager is pleased with the Partnership's portfolio of investments and, with its Joint Venture Partners, continues development of windpower projects contained within the Wind Energy Companies. The Partnership's first investment, totaling 37.5% of its gross raised capital, was Kettles Hill Wind Energy Inc., which completed its first phase of construction in March 2006 and is now generating electricity from five turbines. Construction of its Infill Phase is expected to begin in July 2006, and completion is expected for the end of 2006. The Manager expects a liquidity process to follow, from which the Partnership is expected to benefit.

The Partnership's investments are involved in four different provincial utility processes to acquire PPAs for six different windpower projects. Each process is highly competitive and subject to delays and changes; however, we are confident that our quality portfolio of windpower projects will succeed in several of these opportunities.

The biggest challenge facing the windpower industry is obtaining turbines at competitive and economical prices on a timely basis. The Partnership is focused on working with manufacturers to obtain supply commitments at attractive prices. Lag times between bidding for PPAs from provincial utilities, being awarded a PPA and commencing construction also present challenges as other costs can vary over this period. Having completed two wind farms and managing the construction of a third wind farm gives us a significant competitive advantage over many competing developers.

We expect to obtain a return on our Kettles Hill investment within the next 12 months and we are bringing several projects to the construction stage in the next 12 to 18 months. We continue to be excited about the windpower opportunities in our portfolio and the progress we are making on bringing them to fruition.

Risks and Uncertainties

Limited Partners must rely on the discretion and skill of the General Partner in selecting and entering into subscription agreements (including flow-through agreements) with Wind Energy Companies and in determining (in accordance with the Partnership's investment strategy and Investment Guidelines) the composition of the portfolio of securities (including flow-through shares) of Wind Energy Companies to be owned by the Partnership.

There is, and it is expected that there will continue to be, only a limited number of Wind Energy Companies with viable windpower projects.

The General Partner will not necessarily require independent wind engineering, interconnection or other technical reports to be provided by a Wind Energy Company as a condition of subscribing for securities to be issued by that Wind Energy Company.

There can be no assurance that a liquidity process will be available, proposed or receive all necessary regulatory and other approvals.

The value of units will vary (for reasons beyond the control of the Partnership) in accordance with the value of the securities acquired by the Partnership and in some cases the value of securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the values of such securities may occur for a number of reasons beyond the control of the Partnership or the Partnership and there is no assurance that an adequate or any market will exist for securities acquired by the Partnership.

The business activities of the Wind Energy Companies are speculative and may be adversely affected by factors outside the control of those companies. The profitability of the Wind Energy Companies (and correspondingly the value of investments held by the Partnership in such Wind Energy Companies) is likely to be subject to numerous operating risks, including construction risks, possible failure of the test phase of a windpower project, possible failure of a windpower project to be commercially viable, risk that expenditures do not qualify as CRCE, risk that PPAs, interconnection agreements or permits may be unachievable or terminated once obtained, risk of prices payable for energy under PPAs or otherwise by purchasers, risk that the construction debt facilities and further equity financing may be unavailable, risks related to turbine design and local climatic conditions, reliance on key customers and suppliers, risks related to the assessment, availability and variability of wind resources and associated wind energy production, liability for environmental damage, contract performance risks, insurance limits, force majeure, competition and government regulation.

The Partnership will invest primarily in securities of Wind Energy Companies, which focus may result in the net asset value of the units being more volatile than portfolios with a more diversified investment focus.

The value of the Partnership's portfolio may fluctuate with underlying market prices for energy and interest rates.

A significant percentage of the Partnership may be invested in one or a small number of Wind Energy Companies, which may result in the net asset value of the units being more volatile than portfolios with a more diversified investment complement.

While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has nominal assets and it is unlikely that it will have sufficient assets to satisfy any claims pursuant to such indemnity.

The Partnership is significantly dependent on the services of Robert J. Toole and Eric C. McFadden, each a director and officer of the General Partner. The loss of Mr. Toole or Mr. McFadden from the General Partner may have a material adverse effect on the management and business of the Partnership.

The General Partner, its affiliates and associates and their respective directors and officers may engage in the promotion, management or investment management of any other fund, partnership or other investment vehicle including those which invest primarily in securities (including flow-through shares) of Wind Energy Companies, and certain conflicts may arise from time to time in the promotion, management or investment management of such funds, partnerships or vehicles and in determining appropriate investment opportunities. Although none of the directors or officers of the General Partner will devote their full time to the business and affairs of the General Partner or the Partnership, each will devote as much time as is necessary for the management of the business and affairs of the General Partner and the Partnership.

The General Partner, its affiliates and associates and their respective directors and officers may have interests in, and may also be entitled to receive fees, benefits and other economic incentives from, the Wind Energy Companies in which the Partnership invests and will have no liability to account to the Partnership or Partners for same.

Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control of the business of the Partnership, and limited liability may be unavailable under the laws of certain jurisdictions. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province or territory have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Partnership.

Limited Partners remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

There is a risk that the expenditures incurred by the Wind Energy Companies and purportedly renounced to the Partnership may not qualify as CRCE, which would adversely affect the return on a Limited Partner's investment in the units.

If the Partnership sells flow-through shares, it will realize a capital gain substantially equal to the sale proceeds because the flow-through shares have a nil cost for tax purposes. There is therefore a possibility that Limited Partners will receive allocations of income (including taxable capital gains) from the Partnership without receiving a corresponding cash distribution to satisfy any resulting tax liability.

There may be disagreements with the Canada Revenue Agency with respect to certain tax consequences of an investment in units of the Partnership. The alternative minimum tax could limit tax benefits available to Limited Partners.

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Consolidated Balance Sheets

As at March 31, 2006 and December 31, 2005

(Unaudited) (all amounts in thousands)	**March 31, 2006**	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	**$ 829**	$ 1,028
Cash held in escrow (Note 3)	**654**	2,461
Accounts receivable	**140**	174
Due from related parties (Note 7)	**133**	104
	1,756	3,767
Deferred development costs (Note 4)	**4,732**	4,135
Pre-operating costs (Note 5)	**214**	137
Note receivable from Kettles Hill (Note 8)	**900**	900
Long-term investment	**4,397**	4,397
	$ 11,999	$ 13,336
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 398**	$ 1,677
Due to related parties (Note 7)	**202**	204
	600	1,881
Future income tax liability	**1,662**	1,120
Non-controlling interest	**127**	127
	2,389	3,128
Partners' capital	**8,385**	8,927
Retained earnings	**1,225**	1,281
	$ 11,999	$ 13,336

Commitments (Note 6)

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

Robert J. Toole
Director

Eric McFadden
Director

Consolidated Income Statements

For the three months ended March 31, 2006 and 2005

(Unaudited) (All amounts in thousands, except per unit data)		**March 31, 2006**		March 31, 2005
Investment income				
Interest income	**$**	**27**	$	18
Expenses				
Management fees (Note 7)		**48**		48
Administrative costs		**34**		111
		82		159
Net loss		**(55)**		(141)
Retained earnings (deficit), beginning of period		**1,281**		(330)
Retained earnings (deficit), end of period	**$**	**1,225**	$	(471)
Net loss per unit – basic and fully diluted	**$**	**(0.01)**	$	(0.39)
Weighted average number of units		**1,200**		1,200

See accompanying notes to consolidated financial statements

Consolidated Statements of Partners' Capital

For the three months ended March 31, 2006 and 2005

(Unaudited) (In thousands)	**March 31, 2006**	March 31, 2005
Partners' capital – beginning of period	**$ 8,927**	$ 10,869
Payment of agents' fees	**–**	(1)
Future income tax resulting from renunciation	**(542)**	(2,256)
Dividends on preferred shares	**–**	(21)
Partners' capital – end of period	**$ 8,385**	$ 8,591

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the three months ended March 31, 2006 and 2005

(Unaudited) (In thousands)	**March 31, 2006**	March 31, 2005
Net income (loss)	**$ (55)**	$ (141)
Change in working capital		
Decrease (increase) in accounts receivable	**34**	(49)
Decrease in accounts payable and accrued liabilities	**(63)**	–
Increase (decrease) in amounts due to related parties	**(31)**	2,294
	(115)	2,104
Cash flows from financing activities		
Issue costs	**–**	(1)
	–	(1)
Cash flows from investing activities		
Decrease in cash held in escrow	**1,807**	418
Increase in deferred development costs and pre-operating cost	**(1,891)**	(1,266)
	(84)	(848)
Net decrease in cash	**(199)**	1,255
Cash and cash equivalents, beginning of period	**1,028**	1,968
Cash and cash equivalents, end of period	**$ 829**	$ 3,223
Supplemental cash information		
Interest and cash taxes paid	**$ –**	$ –

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

(All amounts stated in thousands of dollars, except per unit information) March 31, 2006

1. Business and Structure of the Partnership

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. The objective of the Partnership is to finance the development of projects by Wind Energy Companies that, upon completion, will provide predictable energy production from wind, long-term cash flow and capital appreciation.

As at March 31, 2006, the Partnership has invested in flow-through shares of Dokie Wind Energy Inc. (“Dokie”), Bonavista Wind Power Inc. (“Bonavista”), Windrise Power Inc. (“Windrise”), Benchlands Wind Power Corp. (“Benchlands”), Grand Valley Wind Farms Inc. (“Grand Valley”), 4333233 Canada Inc. (“Buffalo Atlee”) and Kettles Hill Wind Energy Inc. (“Kettles Hill”) that will construct and then operate wind energy projects to generate electricity for sale to the provincial electricity utilities.

2. Significant Accounting Policies

The interim period consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles (“GAAP”). 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 at December 31, 2005. The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial statements and, accordingly, certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian GAAP have been condensed or omitted. These financial statements have been prepared using the same accounting principles as used in the annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Partnership for the year ended December 31, 2005. 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. Certain amounts have been reclassified on the comparative statements of operations and cash flow to conform with the current period’s presentation.

3. Cash Held in Escrow

The Partnership entered into share subscription agreements to purchase \$3,600 of shares of Kettles Hill, \$3,100 of shares of Dokie, \$550 shares of Bonavista and \$740 of shares of Windrise, \$215 of shares of Benchlands, \$300 of shares of Grand Valley, and \$260 of shares of Buffalo Atlee. Accordingly, cash received under the subscription agreements was held in escrow. At March 31, 2006, the amount held in escrow was \$654.

4. Deferred Development

	March 31, 2006	December 31, 2005
Kettles Hill		
Deferred development costs beginning of period	**$ –**	$ 4,064
Development costs deferred	**–**	–
Deconsolidation of Kettles Hill (Note 8)	**–**	(4,064)
Deferred development costs, end of period	**$ –**	$ –
Dokie		
Deferred development costs beginning of period	**$ 2,737**	$ 142
Development costs deferred	**315**	2,595
Deferred development costs, end of period	**$ 3,052**	$ 2,737
Bonavista		
Deferred development costs beginning of period	**$ 498**	$ –
Development costs deferred	**6**	498
Deferred development costs, end of period	**$ 504**	$ 498
Windrise		
Deferred development costs beginning of period	**$ 611**	$ 44
Development costs deferred	**70**	567
Deferred development costs, end of period	**$ 681**	$ 611
Benchlands		
Deferred development costs beginning of period	**$ 122**	$ –
Development costs deferred	**21**	122
Deferred development costs, end of period	**$ 143**	$ 122
Grand Valley		
Deferred development costs beginning of period	**$ 152**	$ –
Development costs deferred	**155**	152
Deferred development costs, end of period	**$ 307**	$ 152
Buffalo Atlee		
Deferred development costs beginning of period	**$ 15**	$ –
Development costs deferred	**30**	15
Deferred development costs, end of period	**$ 45**	$ 15
Total deferred development costs, end of period	**$ 4,732**	$ 4,135

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5. Pre-operating Costs

	March 31, 2006	December 31, 2005
Kettles Hill		
Pre-operating costs beginning of period	**$ –**	$ 136
Pre-operating costs deferred	**–**	–
Deconsolidation of Kettles Hill (Note 8)	**–**	(136)
Pre-operating costs, end of period	**$ –**	$ –
Dokie		
Pre-operating costs beginning of period	**$ 85**	$ 1
Pre-operating costs deferred	**17**	84
Pre-operating costs, end of period	**$ 102**	$ 85
Bonavista		
Pre-operating costs beginning of period	**$ 13**	$ –
Pre-operating costs deferred	**–**	13
Pre-operating costs, end of period	**$ 13**	$ 13
Windrise		
Pre-operating costs beginning of period	**$ 29**	$ –
Pre-operating costs deferred	**6**	29
Pre-operating costs, end of period	**$ 35**	$ 29
Benchlands		
Pre-operating costs beginning of period	**$ 9**	$ –
Pre-operating costs deferred	**9**	9
Pre-operating costs, end of period	**$ 18**	$ 9
Grand Valley		
Pre-operating costs beginning of period	**$ 1**	$ –
Pre-operating costs deferred	**40**	1
Pre-operating costs, end of period	**$ 41**	$ 1
Buffalo Atlee		
Pre-operating costs beginning of period	**$ –**	$ –
Pre-operating costs deferred	**5**	–
Pre-operating costs, end of period	**$ 5**	$ –
Total Pre-operating costs, end of period	**$ 214**	$ 137

6. Commitments

As at March 31, 2006 the following commitments to purchase shares were made by the Partnership:

	Investment pursuant to subscription agreements	Amount advanced	Amount in escrow	Amount remaining to be advanced
Kettles Hill	$ 3,600	$ 3,600	$ –	$ –
Dokie	3,100	2,918	182	182
Bonavista	550	472	31	78
Windrise	740	619	101	121
Benchlands	215	134	77	81
Grand Valley	300	283	1	18
Buffalo Atlee	260	–	262	260
	$ 8,765	$ 8,026	$ 654	$ 740

7. Related Party Transactions

Pursuant to joint venture agreements, for the three month period ended March 31, 2006, Creststreet Capital Corporation ("CCC") earned $33 (2005 – $21) for financial and administrative services and Earth First Energy Inc., Windbreaker Energy Inc., Windworks Energy Corp., Land's End Corp., and Windcor Power Systems (collectively the "Joint Venture Partners") earned $261 (2005 – $150) for services related to the development of the projects. In addition, CCC and Joint Venture Partners are entitled to certain out-of-pocket reimbursements.

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

CCC is entitled to a monthly fee of $15 in accordance with the Management Agreement for administrative services provided to the Partnership. For the three-month period ended March 31, 2006, fees paid to CCC were $45 (2005 – $45).

In 2005, the Partnership invested in a $900 subordinated note with Kettles Hill to finance Kettles Hill pre-development costs. Interest is charged at a rate of 10% per annum, maturing on July 31, 2025. For the three-month period ended March 31, 2005, the Partnership earned $22 of interest income from the note.

The amounts due from (to) related parties as at March 31, 2006 and December 31, 2005 are as follows:

	March 31, 2006	December 31, 2005
Kettles Hill	**$ 127**	$ 104
CCC	**(93)**	(73)
Land's End Corp.	**–**	(43)
Windbreaker Energy Inc.	**(16)**	(21)
Windworks Energy Corp.	**(8)**	(19)
Windcor Power Systems	**(48)**	(16)
Wind Project Inc.	**–**	(2)
Earth First Energy Inc.	**(30)**	(30)
Creststreet Holdings Limited	**(1)**	–
	$ (69)	$ (100)

8. Investment in Kettles Hill

On July 11, 2005, Creststreet Kettles Hill Windpower LP ("CKHLP"), a related party of the Partnership completed its initial public offering and raised gross proceeds of $40,000 to finance the CRCE Phase as well as a portion of the Infill Phase of the planned 63 MW Kettles Hill wind power project. CKHLP's investment in Kettles Hill reduced the Partnership's interest from 100% to 16.85%. As at December 31, 2005 the carrying value of the investment was $4,397. The cost of the investment was $3,600, which was decreased by the impact of tax renunciation of $1,151. Prior to July 11, 2005, Kettles Hill had received $27 in interest income on account of the subordinated notes that were issued by CWDLP to Kettles Hill. The acquisition of Kettles Hill by KHLP resulted in a dilution gain of $1,975.

As of July 11, 2005, the Partnership no longer controlled Kettles Hill and as a result has ceased consolidation accounting and commenced equity accounting for its investments.

In 2005, the Partnership has invested in a subordinated note with Kettles Hill for $900 to finance Kettles Hill pre-development costs. Interest is charged at a rate of 10% per annum. For first quarter of 2006, the Partnership earned $22 of interest income from the note.

9. 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 Dokie, Bonavista, Windrise, Grand Valley, Buffalo Atlee and Benchlands as a result of the renunciations, when the renunciations are made. Renunciations made during the three months ended March 31, 2006 resulted in an additional future tax liability of $542.

Partners' capital has also been reduced by renunciations made of $1,151 in Kettles Hill prior to July 11, 2005.

10. Financial Instruments

At March 31, 2006, the carrying amount of cash, cash held in escrow, accounts receivable, accounts payable and due to and due from related parties approximates fair value due to their short-term nature.

As at March 31, 2006, the carrying amount of notes receivable approximates fair value due to the short period of time that has elapsed between finalizing the terms of the agreements and the period end date.

11. Income Taxes

The tax effects of temporary differences that gave rise to the future tax liabilities at March 31, 2006 were a result of the tax renunciations related to deferred development costs and pre-operating costs related to the entities presented below:

	March 31, 2006	December 31, 2005
Dokie	**$ 930**	$ 725
Windrise	**249**	168
Bonavista	**210**	191
Grand Valley	**108**	–
Buffalo Atlee	**87**	–
Benchlands	**78**	36
	$ 1,662	$ 1,120

Creststreet Windpower Development LP

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