



Management's Discussion and Analysis

For the three month period ended March 31, 2007 and 2006
May 30, 2007

Forward Looking Statements

Except for the historical and present factual information, certain statements contained in this Management Discussion and Analysis ("MD&A") constitutes "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 assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. Some of these risks and uncertainties are outlined in the MD&A for the year ended December 31, 2006.

Creststreet Kettles Hill Windpower LP (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.

The following is a discussion of the consolidated financial condition and results of operations of Creststreet Kettles Hill Windpower LP for the three months ended March 31, 2007. It should be read in conjunction with the Partnership's unaudited interim consolidated financial statements for the same period along with the MD&A and consolidated financial statements for the year ended December 31, 2006. The Partnership prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis with those used to prepare the prior year consolidated financial statements, except as noted in the consolidated financial statements. All dollar amounts in this MD&A are in Canadian dollars unless otherwise stated. Where we say "we," "us," or the "Partnership," we mean Creststreet Kettles Hill Windpower LP.

Overview

In July 2005, the Partnership completed its initial public offering (“IPO”) of limited partnership units, raising gross proceeds of \$40.00 million for investment in flow-through shares and subordinated notes of Kettles Hill Wind Energy Inc. (“Kettles Hill”). Kettles Hill is building and will operate a 63 megawatt (“MW”) wind energy project composed of 35 interconnected Vestas V80 1.8 MW turbines to generate electricity for sale to the Alberta power market. The Kettles Hill wind energy project is located near Pincher Creek, Alberta, approximately 200 kilometres south of Calgary and approximately 20 kilometres east of the Rocky Mountains. The site is adjacent to a 138kV transmission line.

We estimate that the capital cost to construct all 35 turbines and related infrastructure will be approximately \$123.6 million, which is an increase of \$2.7 million from the previous forecast of the costs. Costs have risen due to delays arising from a series of crane malfunctions and the Manager being required to find a different erection crane to complete the wind power facility. The Manager has found a replacement crane which will allow the erection to be completed by the end of June, but at an increased cost. Previous cost increases over the original cost estimates are principally due to higher construction costs in the over-heated Alberta market place, and constructing during the windy winter season due to delivery delays of turbines by the manufacturer. The wind energy project is being financed through a combination of the proceeds from the Partnership’s IPO, investments by various Creststreet entities and debt facilities provided by a major Canadian financial institution. Please see the liquidity section of this MD&A for details on the financing of the project.

In March 2006, Kettles Hill completed the construction and commissioning of the five Canadian Renewable and Conservation Expense (the “CRCE Phase”) test turbines at the Kettles Hill facility. It also completed construction and commissioning of the related infrastructure including access roads, interconnection transmission facilities, substation infrastructure, collection system infrastructure and a remote monitoring system. Construction of the CRCE Phase was delayed approximately three months as a result of equipment delivery delays by Vestas-Canadian Wind Technology, Inc. (“Vestas”), the turbine supplier. The 120-day test period required to qualify expenses for test turbines for CRCE tax treatment was completed on July 28, 2006. All electricity produced by these CRCE Phase turbines was sold into the Alberta power market at the prevailing market rates, (see the Revenue discussion below).

With the CRCE test period having been completed, work to install and commission the remaining 30 wind turbines for the second phase of the project (the “Infill Construction Phase”) is underway. Construction of the project is scheduled to complete approximately nine months behind the original schedule. Approximately, six months of the delays were due to late receipt of the turbines; for which Vestas paid liquidated damages. One month of the delay was due to changing the foundation design to a more traditional design in response to complex soil conditions at the site. The balance of the delays, are due to malfunctions with the erection crane, which have occurred in 2007. Creststreet Power & Income Fund has agreed to invest up to an additional \$1.9 million in subordinated promissory notes of Kettles Hill. Based on its current schedule, the Manager expects that the erection of the turbines will be completed during June 2007.

The ground and foundation work for the Infill Construction Phase has been completed in the first quarter of 2007. The erection of the towers and turbines started in the fourth quarter of 2006 and is anticipated to be completed in June 2007. The table below highlights the status of all 35 turbines:

<u>Status</u>	<u>Number</u>
Turbines completed, operating and producing power ⁽¹⁾	5
Turbines completed, and capable of operating and producing power	15
Turbines erected and awaiting commissioning	9
Foundations complete with towers and turbines under installation	6
Total:	35

(1) Includes five turbines completed in first quarter of 2006.

The 15 commissioned turbines of the Infill phase are currently not operating as the manufacturer completes an investigation of its principal components, following the failure of one of the turbine components. The Manager is working with the manufacturer to resolve any issues to bring the turbines on line as soon as possible.

All permits and authorizations required for the CRCE Phase and the Infill Construction Phase of the Kettles Hill facility have been obtained by Kettles Hill and are in good standing, other than those permits and authorizations that are not yet required, but which are expected to be obtained prior to or upon the completion of the Infill Construction Phase.

During the first three months of 2007, \$13.7 million (2006 - \$5.7 million) was spent on the project. Cumulatively to-date \$107.2 million has been spent on the project.

Results of Operations

> Revenue

For the quarter ended March 31, 2007, the Partnership generated electrical revenue of \$0.7 million (2006 - \$0.05 million) from the delivery of 13.1 gigawatt hours ("GWh") (2006 -1.3 GWh) of electricity generated by the five CRCE turbines that began commercial operations in March 2006. This electricity was sold into the Alberta spot market at the prevailing Alberta Power Pool prices at the time of delivery. During the first quarter of 2007 the Partnership realized electrical pricing on average of \$53.40 per megawatt hour ("MWh") (2006 - \$38.90 per MWh) .

> Operating Costs

For the quarter ended March 31, 2007, the Partnership incurred operating costs of \$0.15 million (2006 - \$0.03 million) and recorded an operating margin of 80% of revenue (2006 – 42%). The expenses related to the operation of the project are primarily fixed costs such as warranty and maintenance fees, leases, energy charges and transmission charges. Other operating costs for the year included management fees of \$0.15 million and administrative costs of \$0.26 million (2006 - \$0.14 million and \$0.10 million respectively).

> Amortization

The costs of construction in progress related to the CRCE Phase were reclassified to plant and equipment in the first quarter of 2006 when this phase of the project entered commercial operations. Amortization of these costs began at that time. The total amortization for the quarter was \$0.39 million (2006 - \$0.13 million).

We also began amortizing pre-operating costs upon substantial completion of the CRCE Phase and recorded amortization of pre-operating costs of \$0.09 million for the quarter ended March 31, 2007 (2006 - \$0.06 million).

> Interest and gains and losses on derivatives

Interest expense recorded in the first quarter of 2007 totaled \$0.28 million (2006 - \$0.02 million) which includes the interest incurred on the \$900,000 subordinated promissory note investment made by Creststreet Windpower Development LP ("CWDLP"), interest incurred on \$6.50 million of the \$34.00 million subordinated promissory note investment made by CPIF. These funds were used by the Partnership to help fund the construction of the CRCE Phase of the wind energy project. Interest costs on the funding for the Infill Construction Phase have been capitalized to Construction in Progress and amounts to \$1.10 million (2006 - \$0.04 million) for the quarter ended March 31, 2007.

During 2007 Kettles Hill no longer held any option agreements. Kettles Hill in 2005 and 2006 entered into option agreements to purchase Euros (EUR), which were used to reduce foreign exchange rate exposure on future purchases of wind turbines and were not entered into for trading or speculative purposes. These options did not qualify for hedge accounting and, as such, were recorded at their fair value on the consolidated balance sheet. The total cost of purchasing these options of \$0.89 million was capitalized to pre-operating cost. On July 31, 2006 Kettles exercised its last option agreement to purchase EUR 7.00 million at an exercise price of C\$1.4170 per EUR for which it paid consideration of \$0.14 million; settlement proceeds of \$0.16 million were received. Subsequently this amount was recorded as foreign exchange gain in the consolidated statement of loss and deficit.

Four option agreements expired unexercised during the second quarter of 2006 as follows: (i) EUR 5.0 million at an exercise price of C\$1.5100, expired April 7, 2006; (ii) EUR 10.0 million at an exercise price of C\$1.5100, expired April 28, 2006; (iii) EUR 5.0 million at an exercise price of C\$1.5100 per EUR, expired June 15, 2006, (iv) EUR 5.0 million at an exercise price of C\$1.5100 per EUR, expired June 30, 2006.

For the three months ended March 31, 2007, the unrealized gain on these option agreements was nil (2006 - \$139,000).

> Taxes

For the quarter ended March 31, 2007, the Partnership reported a future income tax recovery of \$0.06 million (2006 - \$0.06 million).

Quarterly Financial Information

(In thousands, except per unit data)

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Total
Revenue	\$860	-	-	-	\$860
Net earnings / (loss)	\$(389)	-	-	-	\$(389)
Net earnings / (loss) per unit	\$(0.10)	-	-	-	\$(0.10)

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Total
Revenue	\$69	\$305	\$363	\$940	\$1,677
Net earnings / (loss)	\$(209)	\$427	\$(459)	\$(507)	\$(748)
Net earnings / (loss) per unit	\$(0.05)	\$0.11	\$(0.12)	\$(0.13)	\$(0.19)

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Total
Revenue	\$ -	\$ -	\$34	\$62	\$96
Net loss	\$ -	\$ -	\$(484)	\$(190)	\$(674)
Net loss per unit	\$ -	\$ -	\$(0.12)	\$(0.05)	\$(0.36)

The CRCE Phase turbines at Kettles Hill began commercial production of electricity and began generating revenue and incurring operating expenses in March 2006. The second, third and fourth quarters of 2006 reflect full quarters of revenue and expenses from the initial five turbines. Windpower electrical generation experiences seasonality with peak seasons occurring in the first and fourth quarters and the low season in the third quarter. Fourth quarter electricity based revenues were \$0.82 million compared to \$0.32 million in the third quarter of 2006. The primary reasons for the increase, were the seasonal increase in wind speeds along with higher realized spot prices. Management fees increased in the fourth quarter compared to the other quarters in 2006 because the Manager in accordance with the management contract, began to charge its related overhead costs to Kettles Hill. The difference in net income in the second quarter compared to other quarters in 2006 is because of the enactment of lower federal income tax rates in the second quarter which resulted in a large future income tax recovery as discussed in the Taxes section above. The first quarter of 2006 reflected one month of revenue and operating expenses from the initial five turbines.

As Kettles Hill did not begin commercial production of electricity until the first quarter of 2006, all revenue earned in 2005 was interest income. During the third quarter of 2005, Kettles Hill earned \$34,000 in interest income on short-term investments and paid management fees of \$471,000 including a one-time fee of \$342,000 upon completion of the IPO.

During the fourth quarter of 2005, Kettles Hill earned \$62,000 in interest income on short term investments and paid management fees of \$128,000.

Financial Condition

> Liquidity

The estimated capital cost of the Kettles Hill project is \$123.6 million. We anticipate that the Kettles Hill project will be financed as follows:

Investment by Creststreet Windpower Development LP I and II	\$4.5 million
Proceeds of Kettles Hill Windpower LP IPO (net of fees associated with offering and reserves)	34.5 million
Subordinated notes funded by Creststreet Power & Income Fund LP	35.9 million
Senior debt facility (provided by a major Canadian financial institution)	42.5 million
Subordinated debt facility (provided by a major Canadian financial institution)	5.0 million
Net cash flow from operations during construction	1.5 million
Total Financing	\$123.9 million

On December 19, 2005, Kettles Hill announced a commitment by CPIF to invest up to \$31.00 million in subordinated notes to complete the financing requirements to fund the completion of the project and to fund any working capital requirements. Additional investments by CPIF of up to \$4.90 million in notes to Kettles Hill were approved at a special meeting of CPIF Unitholders on September 6, 2006. As at March 31, 2007, \$34.00 million was advanced by CPIF. On May 31, 2007 CPIF agreed to invest up to an additional \$1.9 million in subordinated promissory notes; bringing its total investment to a maximum of \$35.9 million. The terms of these subordinated notes are described in further in the Related Party Section of the MD&A.

On December 19, 2005, Kettles Hill also announced the closing of a construction loan facility with a major Canadian financial institution totaling \$42.50 million to finance its Infill Construction Phase. The terms of this loan are described in Note 9 to the consolidated interim financial statements for March 31, 2007. On August 4, 2006, \$8.75 million of Tranche A became subject to Kettles Hill receiving confirmation that it will receive contributions from the Government of Canada's Wind Power Production Incentive ("WPPI") program or an equivalent program. If confirmation of the contribution is received, this \$8.75 million advance of Tranche A will use an interest rate mechanism and credit spread representative of a senior secured credit facility. If the WPPI contribution is received this advance of Tranche A will not be required to amortize consistent with the rest of the loan. If the WPPI contribution is not received this advance's interest rate will then be calculated using a Government of Canada long bond yield plus a credit spread that is more representative of a subordinated debt facility. As well, if the WPPI contribution is not received, this portion of the loan will require principal payments of \$2.00 million per year until March 31, 2009.

As at March 31, 2007, the average interest rate for the \$42.50 million construction loan facility, if fully drawn and if Kettles Hill receives the WPPI contribution would be 6.01%. If Kettles Hill is not eligible for WPPI or if the program ceases to exist, the interest rate on this loan will be 7.16%.

During the fourth quarter of 2006, Kettles Hill negotiated a \$5.00 million subordinated debt facility with a major Canadian financial institution to provide additional liquidity to finance a portion of the cost increases and to also provide additional liquidity in the event that there may be potential cost increases, during the construction of the Infill Phase. This facility, which matures on December 31, 2008, bears interest at 12% per annum and requires excess cash flow as defined by the agreement will be used to partially repay outstanding balances in excess of \$2.00 million prior to December 31, 2008. The other terms and conditions are standard for this type of facility.

Cash held in escrow decreased to \$7.30 million at March 31, 2006, from \$13.06 million at December 31, 2006, as the second advance of \$13.75 million on the credit facility that was placed into escrow in December 2006 along with \$1.90 million of the CPIF debt placed into escrow in the first quarter of 2007 was released and used to fund construction activities. Funds advanced to Kettles Hill through its credit facility are placed in escrow and may only be accessed for construction related expenses upon acceptance of the lender.

> Contractual Obligations

(In \$ millions)	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long-term debt obligations	\$68.65	\$ -	\$47.75	\$ -	\$20.90
WMS agreement	5.49	0.70	2.27	2.28	0.24
Land lease (see below)					
Other construction agreements (see below)					
Total obligations	\$74.14	\$0.70	\$50.02	\$2.28	\$21.14

Kettles Hill has entered into four lease agreements with terms of each lease being 20 years with provisions for renewal of each lease for two additional 20 year terms. The annual rent payable under each lease agreement is 2.5% of electricity revenue.

Kettles Hill entered into a Warranty, Maintenance and Service Agreements ("WMS Agreement") with Vestas – Canadian Wind Technology ("Vestas"), which provides for certain warranties in connection with the wind turbines installed at the wind energy project, and ongoing service and maintenance obligations in connection with the turbines. The WMS Agreement includes a facility-wide warranty, which commences only upon substantial completion of the Infill Phase and is related to power curve performance and availability of the facility. In the event that the facility fails to perform as warranted, the WMS Agreement entitles Kettles Hill to liquidated damages to offset any lost revenue. The WMS Agreement is for a 5-year period commencing at the date that the turbines come into service at a cost of \$32,500 per turbine per year. As at March 31, 2007, the total remaining commitment to Vestas under the WMS Agreement was \$5.49 million.

Kettles Hill has entered into an Engineering, Procurement and Construction Services (“EPCS”) Agreement with Hatch Optima Ltd. to design all non-turbine related aspects of the project, purchase any non-turbine equipment and manage the construction. Costs are incurred on a time and material basis.

In 2005, Kettles Hill entered into an agreement with Plava Ventures Corp. to pay success fees of \$50,000 upon the closing of CRCE Phase construction financing which occurred in 2006 and another \$50,000 upon the completion of the Infill Phase construction.

In April 2006, Kettles Hill signed a contract for the sale of 30 GWh of renewable energy certificates to Baseline Emissions Management Inc. (“Baseline”). The revenue generated from this contract will be recognized on an annual basis within forty-five days after the end of each calendar year, upon an executed transfer of title of the renewable energy certificates by Kettles Hill to Baseline. A total of \$48,318 was recorded as revenue in the first quarter of 2007 for the sale of these, 2006 credits. Additionally in June 2006, Kettles Hill entered into an agreement with the federal government for the sale of 46,000 tonnes of emissions reductions from 2007 production at a price of \$7.97 per tonne of CO₂ equivalent.

> Related Party Transactions

In 2005, Kettles Hill entered into a subordinated note with Creststreet Windpower Development LP (“CWDLP”) for \$900,000 to finance pre-development costs. Interest is charged at a rate of 10% per annum. For the three months ended March 31, 2007, the Partnership incurred \$22,192 (2006 - \$22,192) of interest, of which \$nil (2006 - \$14,548) was capitalized during the construction period.

During 2006, Creststreet Power & Income Fund LP (“CPIF”), a related party with common management issued subordinated promissory notes receivable to Kettles Hill in the amount of \$32.00 million. During the first quarter of 2007, a further \$2.00 million was invested. The subordinated promissory note is unsecured and will not hold any liens over any assets of Kettles Hill. The subordinated note bears interest at 9.25% per annum until October 31, 2009 and thereafter at a rate of 10.5% per annum. The interest will not be received until the earlier of September 30, 2007 or sixty days after completion of the Infill Phase; however, it will be accrued on a monthly basis. The subordinated note is due on October 31, 2009, unless CPIF acquires more than 50% of Kettles Hill then the subordinated note will mature October 31, 2026. If Kettles Hill is acquired by a third party other than CPIF, then CPIF has a right to put all or a portion of the subordinated note to the Partnership, and the Partnership shall be required to purchase the subordinated note at 110% of par plus 50% of the amount, if any, that the fair market value of each Class A Share of Kettles Hill, realized upon a change of control, exceeds \$1.87 per Class A share multiplied by the principal amount of the Kettles Hill subordinated notes held by CPIF divided by \$1.70. On May 31, 2007 CPIF agreed to invest up to \$1.9 million in subordinated notes that have substantially the same terms as the previous notes except that the interest rate is 12% per annum, there is a standby fee of \$0.50% per annum payable monthly, and a placement fee of \$100,000.

Financing fees incurred for the first quarter of 2007, related to the issuance of the \$2.00 million subordinated note in the quarter were \$100,000 (2006 \$nil) which were netted against the subordinated debt. For the quarter ended March 31, 2007 interest incurred relating to the subordinated note was \$750,390 (2006 - \$62,849), of which \$602,137 (2006 - \$26,610) was capitalized to Construction-in-progress and \$148,253 (2006 - \$36,240) was expensed to the income statement. The subordinated notes with CPIF are valued at their exchange value.

For the three month period ended March 31, 2007, the fees charged by Creststreet Capital Corporation (“CCC”), Creststreet Kettles Hill Windpower Management Limited (the “Manager”) and Creststreet Kettles Hill Windpower General Partner Limited (the “General Partner”) in accordance with the management agreement and financial services agreement, and for reimbursement of expenses amounted to \$321,323 (2006 - \$133,000).

For the three month period ended March 31, 2007, Creststreet Holdings Ltd.(“CHL”), a related party with common management, was paid \$nil (2006 - \$65,000) as reimbursement for costs it paid directly on behalf of the Partnership.

For the three month period ended March 31, 2007, fees charged by Benign Energy Canada Inc. (“BECI”) in accordance with the Consulting Agreement and Management Services Agreement, including reimbursement for out-of-pocket expenses amounted to \$33,072 (2006 - \$417,000).

The current amounts due (to) from related parties are as follows:

	March 31, 2007	December 31, 2006
CCC	(577)	\$(320)
CWDLP	(207)	(187)
BECI	(38)	(51)
CPIF	(2,072)	(1,322)
Dokie Wind Energy Inc.	5	5
Benchland Wind Power Corp.	11	11
	\$(2,878)	\$(1,864)

The amounts incurred from (to) related parties are as follow:

	March 31, 2007	March 31, 2006
BECI	\$(33)	(\$417)
Manager	(133)	(128)
CHL	(-)	(65)
CCC	(190)	(5)
CWDLP	(21)	-
CPIF	(750)	-
	\$(1,127)	\$615

CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Partnership adopted the Canadian Institute of Chartered Accountants (“CICA” Handbook Section 1530 “Comprehensive Income”, Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement”, and Section 3865 “Hedges”. As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no material impact on the Partnership's cash flows. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income (“OCI”). Upon adoption of Section 1530, the Partnership revised its “Consolidated Statements of Operations” to include the newly required Statement of Comprehensive Income by creating a combined statement. On the Consolidated Balance Sheet in the Partnership Capital section the line “Deficit” is now “Deficit and Accumulated Other Comprehensive Income”.

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to Accumulated Other Comprehensive Income and currently the Partnership has no OCI.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in OCI. Financial assets “held-to maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments.

Accounts receivable is designated as “loans and receivables”. Accounts payable and accrued liabilities, cash distributions payable and long term debt are designated as “other liabilities”.

The Partnership currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no material impact on the consolidated financial statements of the Partnership.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions. Accordingly, at January 1, 2007, deferred charges were reclassified to debt to reflect the adopted policy of capitalizing long-term debt transaction costs, premiums and discounts within long-term debt. The costs capitalized within long-term debt will be amortized using the effective interest method. Previously, the Partnership deferred these costs within deferred charges and amortized them straight-line over the life of the related long-term debt. The adoption of the effective interest method of amortization reduced the opening deficit by \$0.002 million and increased net income by \$0.10 million in the first quarter of 2007. See Note 2 to the consolidated interim financial statements for further details.

Accounting Changes

Effective January 1, 2007, the Partnership adopted the revised recommendations of CICA section 1506, "Accounting Changes."

The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change.

Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007.

Outlook

The project is in the midst of construction of the Infill Phase and activities remain focused on managing costs and logistics. Shortages of supplies and labour continue to plague all activities in Alberta and adjoining provinces, including our project. While costs reflect the Manager's best estimate of Costs to Complete, Unitholders are cautioned that the project remains exposed to cost increases associated with the Alberta Market and construction delays.

On March 5, 2007, the independent directors (the "Independent Committee") of the General Partner of Creststreet Kettles Hill Windpower LP announced that they have appointed an independent advisor to assist the Independent Committee on its mandate to provide liquidity to the Unitholders of the Partnership within six months of the completion of the windpower facility, as outlined in the Partnership's initial public offering prospectus. Due to issues related to the malfunction of the crane used in the erection process the project is experiencing delays. Creststreet Power & Income Fund has agreed to invest up to an additional \$1.9 million in subordinated promissory notes of Kettles Hill. Based on its current schedule, the Manager expects that the erection of the turbines will be completed during June 2007, at which time it is expected that the process to provide liquidity would commence.

Year-to-date 2007 power prices in Alberta have averaged \$58.45 per MWh as at May 17, 2007. The Manager views the independent energy forecast provided in the Partnership's initial public

offering prospectus as conservative in light of the strengthening of forward market power prices to above \$70.00 per MWh. According to Alberta Watt Exchange Ltd., the forward settlement prices of Alberta baseload power as at May 17, averaged \$88.92 per MWh for the third quarter of 2007 and \$88.50 per MWh for the fourth quarter of 2007.

Risk and Uncertainties

> Construction Risk

Construction of the wind energy projects is dependent on turbines being installed and tested. Until the Infill Phase is complete there is a risk that the completion date for the turbines could be delayed or that material cost overruns could be incurred.

> Counter Party Risk

The operations of the Partnership and Kettles Hill are highly dependent upon parties to certain agreements fulfilling their contractual obligations, especially the turbine supplier, Alberta Electric System Operator, and BECI. An inability or failure by any such party to meet its contractual commitments may adversely affect cash distributions.

Vestas is the only supplier of wind turbines to Kettles Hill and accordingly, the Partnership is dependent upon Vestas fulfilling its contractual obligations to them.

The occurrence of a significant event, which disrupts the ability of Kettles Hill to produce or sell power for an extended period, including events which preclude existing customers from purchasing power, could have a material adverse effect on the Partnership.

> ERP Risk

Announced on January 19, 2007, the ecoEnergy Renewable Power Program seeks to invest \$1.5 billion to boost Canada's renewable energy supply. The 10 year program will fund approximately 4,000 MW of new eligible renewable power projects over the next 4 years (between April 1, 2007 and March 31, 2011). The program is to be administered by NRCAN and is designed to support roughly 4,000 MW of renewable energy sources including wind, low impact hydro, biomass, solar, geothermal, and ocean energy. The program will contribute 1 cent per kWh of production over 10 years for eligible projects. The incentive is capped at 35% capacity factor for onshore wind facilities. Projects must be commissioned between April 2007 and March 31, 2011. The approval process is based upon "first in construction first served". Kettles Hill has filed an application and anticipates the Infill Phase turbines will be awarded the incentive. There can be no assurance made that Kettles Hill will be successful with the application.

> Electrical Pricing Risk

The Partnership's revenue has exposure to movements in market price of electricity, as sales to the Alberta power market are likely to be made at prevailing market prices. The market price of electricity is sensitive to cyclical changes in demand and capacity supply, and in the

economy, as well as to regulatory trends and developments impacting electricity market rules and pricing, transmission development and investment within Alberta and to power markets in other jurisdictions via interconnects and other external factors outside of the controls of the Partnership and the Manager. Accordingly, the revenue, income and cash of the Partnership may be volatile and adversely affect the value of and distribution from Units.

> Wind Risk

The wind speeds at the Kettles Hill site will vary, weather patterns could change or the historical data could prove not to accurately reflect the strength and consistency of the wind in the future and have an adverse impact on cash distributions.

> Regulatory Environment Risk

The profitability of Kettles Hill will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry. Government regulations and incentives currently have a favourable impact on the building of wind power facilities but should they be modified, cash distributions could be adversely affected.

> Insurance Risk

While the General Partner believes that the insurance coverage for the facility will address material insurable risks, provide coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and be subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance, current operating conditions and insurance market conditions, there can be no assurance that insurance coverage for Kettles Hill will be sufficient, will address all material insurable risks and will continue to be offered on an economically feasible basis.

> Tax Risk

There can be no assurance that the income tax laws in the various jurisdictions of Canada, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Limited Partners of holding or disposing of units.

In any fiscal year of the Partnership, the possibility exists that Limited Partners will receive allocations of income and capital gains without receiving cash distributions from the Partnership in such year sufficient to satisfy their tax liability with respect to such allocations.

On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of publicly traded income trust and other flow-through entities. The October 31, 2006 proposal was followed by the release of draft legislation by the Department of Finance on December 21, 2006. The 2006 Proposed Amendments, in enacted as currently drafted, will not subject the Partnership to trust level taxation as of January 1, 2011. In addition, the taxable distributions received by investors from the Partnership, would not be treated as taxable dividends. If the Partnership became public these rules would apply.

> Partners' Risk

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 no market through which the units may be sold. Following completion of the Infill Construction Phase, an Independent Committee will solicit, as and when appropriate, opportunities to provide Limited Partners with liquidity for their units.

> Re-financing Risk

A significant portion of the principal amount of the Kettles Hill Senior Debt Facility, if fully advanced, will mature on December 31, 2008. Kettles Hill will then be obliged to refinance such amount. There is no assurance that such refinancing will be available on satisfactory terms and conditions. This may result in Kettles Hill being unable to pay principal and interest on the outstanding debt.

Consolidated Balance Sheets

(Unaudited, In Thousands)	Year ended	
	March 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash	\$ 942	\$ 268
Cash held in escrow (Note 4)	7,303	4,224
Accounts receivable	812	1,602
Prepaid expense	111	80
Due from related parties (Note 8)	16	16
	<u>9,184</u>	<u>6,190</u>
Deposits and pre-operating costs (Note 7)	1,509	3,251
Cash held in escrow (Note 4)	-	8,833
Construction in progress (Note 5)	76,058	62,146
Plant and equipment (Note 6)	30,032	30,160
Intangible Asset	2,546	2,579
	<u>\$ 119,329</u>	<u>\$ 113,159</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,725	\$ 4,492
Deferred revenue	-	23
Due to related parties (Note 8)	2,894	1,880
	<u>12,619</u>	<u>6,395</u>
Subordinated note payable (Notes 8 & 9)	34,750	32,841
Senior debt (Note 9)	31,852	33,750
Asset retirement obligation (Note 10)	552	231
Future income tax liability	8,362	8,322
Non-controlling interest	4,309	4,348
	<u>\$ 92,444</u>	<u>\$ 85,887</u>
Partners' capital	28,694	28,694
Deficit	(1,809)	(1,422)
	<u>\$ 119,329</u>	<u>\$ 113,159</u>

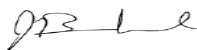
Commitments (Note 11)

See accompanying notes to unaudited interim consolidated financial statements.

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



Robert J. Toole
Director



John Budreski
Director

Consolidated Statements of Operations, Other Comprehensive Income and Deficit

(Unaudited, In Thousands, except per unit data)

For the three months ended March 31,	2007	2006
Revenue		
Electricity sales	\$ 746	\$ 50
Investment income	114	-
Total revenue	860	50
Expenses		
Operating costs	149	29
Management fees	152	135
Administrative costs	264	100
	565	264
Earnings (loss) before the undernoted	295	(214)
Amortization of plant and equipment (Note 6)	385	128
Amortization of intangible asset	33	-
Amortization of pre-operating costs and deferred charges	91	61
Foreign exchange gain on derivatives & others (Note 3)	-	(139)
Interest expense	275	21
Loss before taxes and non-controlling interest	(489)	(285)
Future income tax recovery	61	57
Non-controlling interest	39	19
Net loss	(389)	(209)
Net loss per unit - basic and diluted	\$ (0.10)	\$ (0.05)
Weighted average number of units	4,000	4,000
Deficit, beginning of period, as previously reported	(1,422)	(674)
Financial instruments - recognition and measurement (Note 2)	2	-
Restated deficit, beginning of period	(1,420)	(674)
Net Loss	(389)	(209)
Deficit, end of period	(1,809)	(883)
Accumulated other comprehensive income	-	-
Deficit and accumulated other comprehensive income	\$ (1,809)	\$ (883)

See accompanying notes to unaudited interim consolidated financial statements.

Consolidated Statements of Partners' Capital

(Unaudited, In Thousands)			
For the three months ended March 31,		2007	2006
Partners' capital - beginning of period	\$	28,694	\$ 36,624
Equity component of subordinated note payable		-	59
Future income tax resulting from renunciation		-	(8,006)
Partners' capital - end of period	\$	28,694	\$ 28,677

See accompanying notes to unaudited interim consolidated financial statements.

Consolidated Statements of Cash Flows

(Unaudited, In Thousands)			
For the three months ended March 31,		2007	2006
Cash flows from operating activities			
Net loss	\$	(389)	\$ (209)
Add (deduct) items not affecting cash:			
Future income tax recovery		(61)	(57)
Deferred Revenue Recognition		(23)	-
Amortization of plant and equipment (Note 6)		385	128
Amortization of intangible asset		33	-
Amortization of pre-operating cost and deferred charges		91	61
Accretion of asset retirement obligation (Note 10)		7	-
Accretion of interest expense (Note 2 and 9)		105	-
Foreign exchange gain on derivatives (Note 3)		-	(139)
Non-controlling interest		(39)	(19)
	\$	109	\$ (235)
Non-cash operating working capital			
Decrease (Increase) in accounts receivable		789	(364)
Increase in prepaid expense		(31)	(32)
Increase (decrease) in accounts payable and accrued liabilities		207	(28)
Increase in amounts due to (from) related parties (Note 8)		1,014	477
	\$	2,088	\$ (182)
Cash flows from financing activities			
Issue of subordinated notes from a related party net (Note 8)		1,850	5,000
Increase in deferred financing fees (Note 2)		-	(61)
	\$	1,850	\$ 4,939
Cash flow from investing activities			
Decrease in cash held in escrow (Note 4)		5,754	1,900
Additions to plant and equipment and construction-in-progress (Notes 5 and 6)		(9,018)	(6,413)
Increase in pre-operating costs (Note 7)		-	(302)
	\$	(3,264)	\$ (4,815)
Net increase (decrease) in cash		674	(58)
Cash and cash equivalents, beginning of period		268	507
Cash and cash equivalents, end of period	\$	942	\$ 449
Supplemental cash information			
Interest paid	\$	329	\$ -

See accompanying notes to unaudited interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2007 and 2006

(All tabular amounts stated in thousands of dollars, except per unit information)

1. Creststreet Kettles Hill Windpower LP

Creststreet Windpower (II) LP was established as a limited partnership under the laws of the Province of Ontario on January 30, 2004. Effective on April 28, 2005, Creststreet Windpower (II) LP changed its name to Creststreet Kettles Hill Windpower LP (the "Partnership"). The Partnership was established to invest in flow-through shares and subordinated notes of Kettles Hill Wind Energy Inc ("Kettles Hill"), a Canadian company that is constructing and operating a wind energy project to generate electricity for sale to the Alberta power market. The Partnership completed its initial public offering on July 11, 2005 and commenced developmental activities.

In March 2006, commercial production of the initial phase of the project (the "CRCE Phase") at Kettles Hill commenced with the project entering its 120-day test period required to qualify expenses for test turbines under the Canadian Renewable and Conservation Expense tax rules. This test period was completed in July 2006. Prior to March 2006, the Partnership was considered to be in the development stage.

As the 120-day test period has now been completed, work to install and commission the remaining 30 wind turbines for the second phase of the project (the "Infill Phase") has begun.

2. Summary of Significant Accounting Policies

The interim 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 financial statements. 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 annual financial statements have been condensed or omitted. These consolidated financial statements include the accounts of the Partnership and its subsidiary, Kettles Hill. All significant transactions and balances between the Partnership and Kettles Hill have been eliminated on consolidation. In management's opinion, the accompanying unaudited consolidated interim financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of the Partnership as at March 31, 2007 and December 31, 2006 and the consolidated results of operation and cash flows for the three month period ended March 31, 2007. The results of operations and cash flows of any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. The Partnership's earnings are subject to seasonal fluctuations with the highest level of revenue during the winter months (generally, the first and the fourth quarters).

CHANGES IN ACCOUNTING POLICIES

As disclosed in the December 31, 2006 annual audited consolidated financial statements, on January 1, 2007, the Partnership adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530 “Comprehensive Income”, Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement”, and Section 3865 “Hedges”. As required by the new standards, prior periods have not been restated.

The adoption of these standards had no material impact on the Partnership's cash flows. The other effects of the implementation of the new standards are discussed below.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income (“OCI”). Upon adoption of Section 1530, the Partnership revised its “Consolidated Statements of Operations” to include the newly required Statement of Comprehensive Income by creating a combined statement. On the Consolidated Balance Sheet in the Partnership Capital section the line “Deficit” is now “Deficit and Accumulated Other Comprehensive Income”.

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to Accumulated Other Comprehensive Income and currently the Partnership has no OCI.

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in OCI. Financial assets “held-to maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments.

Accounts receivable is designated as “loans and receivables”. Accounts payable and accrued liabilities, cash distributions payable and long term debt are designated as “other liabilities”.

The Partnership currently does not utilize hedges or other derivative financial instruments in its operations, and as a result the adoption of Section 3865 currently has no material impact on the consolidated financial statements of the Partnership.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions. Accordingly, at January 1, 2007, deferred charges were reclassified to long term debt to reflect the adopted policy of capitalizing long-term debt transaction costs, premiums and discounts within long-term debt. The costs capitalized within long-term debt will be amortized using the effective interest method. Previously, the Partnership deferred these costs within deferred charges and amortized them straight-line over the life of the related long-term debt. The adoption of the effective interest method of amortization had \$0.002 million effect on opening deficit.

The following table summarizes the prospective adoption adjustments that were required as at January 1, 2007.

	December 31, 2006 (As Reported)	Adoption Adjustment	January 1, 2007 (As Restated)
Assets			
Deferred Charges:			
Cost of deferred charges	\$2,027	(\$2,027)	-
Accumulated amortization	(380)	380	-
Net book value	1,647	(1,647)	-
Construction in Progress	62,146	(187)	61,959
Plant and Equipment	30,160	(57)	30,103
Pre-operating costs	1,517	(1)	1,516
Liabilities and Partners' Capital			
Senior Debt (a)	33,750	9	33,759
Subordinated note payable (b)	32,841	(2,002)	30,839
Future Income Taxes	8,322	101	8,423
Deficit	(1,422)	2	(\$1,420)

(a) Includes transaction costs of \$2.03 million transferred from deferred charges. Notes payable have been valued using the effective interest method.

(b) Includes transaction costs transferred from deferred charges of \$0.05 million.

Accounting Changes

Effective January 1, 2007, the Partnership adopted the revised recommendations of CICA section 1506, "Accounting Changes."

The new recommendations permit voluntary changes in accounting policy only if they result in financial statements which provide more reliable and relevant information. Accounting policy

changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change.

Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior period errors initiated in periods beginning on or after January 1, 2007.

3. Derivatives Instruments

During 2007, Kettles Hill no longer held any option agreements. In 2005, Kettles Hill entered into option agreements to purchase (i) €20.00 million at exercise price of C\$1.5100 per EUR for consideration of \$510,000, expired unexercised on July 5, 2005; (ii) €5.0 million at an exercise price of C\$1.5100 per EUR for consideration of \$168,000, expired unexercised on April 7, 2006; (iii) €10.0 million at an exercise price of C\$1.5100 per EUR for consideration of \$349,000, expired unexercised on April 28, 2006; (iv) €5.00 million at an exercise price of C\$1.5100 per EUR for consideration of \$206,000, expired unexercised on June 15, 2006.

During 2006, Kettles Hill entered into two additional option agreements. An agreement to purchase €5.00 million at an exercise price of C\$ 1.5100 per EUR for consideration of \$28,000 was entered into on February 15, 2006 and expired unexercised on June 30, 2006 and an agreement to purchase €7.00 million at an exercise price of C\$1.4170 per EUR for consideration of \$143,000 was entered into on February 21, 2006. This option to purchase EUR \$7.00 million was exercised on July 31, 2006, prior to its expiry resulting in settlement proceeds of \$161,000 being received by Kettles Hill in August which was recorded in the income statement.

These option agreements were used to reduce foreign exchange rate exposure on purchases of wind turbines and were not entered into for trading or speculative purposes. They do not qualify for hedge accounting and, as such, are recorded at their fair value on the consolidated balance sheet. The total cost of \$1.40 million paid to enter these agreements was capitalized to pre-operating costs, prior to commencement of commercial operations.

4. Cash held in Escrow

Cash held in escrow includes amounts advanced to Kettles Hill through its credit facility with a major Canadian financial institution and \$1.90 million advanced from Creststreet Power & Income Fund LP ("CPIF"), a related party with common management, committed to invest in subordinated notes of Kettles Hill to help complete the funding requirements of the project. These funds may only be accessed for construction related expenses upon the acceptance of the lender. During the three month period ended March 31, 2007 \$5.75 million was released from escrow.

5. Construction In Progress

	March 31, 2007	December 31, 2006
CRCE Phase		
Construction in progress, beginning of period	-	\$25,142
Additions	-	5,574
	-	30,716
Amount transferred to plant and equipment (i)	-	(30,716)
Infill Phase		
Construction in progress, beginning of period	62,146	13,700
Additions	13,912	48,446
Construction in progress, end of period	\$76,058	\$62,146

- (i) In March 2006, Kettles Hill commenced commercial operations of the CRCE Phase of the wind energy project; therefore the costs associated with the CRCE Phase construction in progress were reclassified to plant and equipment (see note 6 below).

6. Plant & Equipment

	March 31, 2007	December 31, 2006
Kettles Hill Plant and Equipment	\$31,460	\$30,716
Financial Instrument Adjustment	(57)	0
Additions	314	744
	31,717	31,460
Less: accumulated depreciation	(1,685)	(1,300)
Total	\$30,032	\$30,160

As at March 31, 2007, the asset retirement obligation amounted to \$0.53 million (2006 - \$0.03 million), which is primarily associated with certain closure, reclamation and restoration costs for the wind energy turbines.

7. Pre-operating Costs

As at March 31, 2007, Kettles Hill has capitalized \$1.82 million (2006 - \$2.08 million) of pre-operating costs, which is being amortized over a five-year period beginning March 1, 2006. Amortization of the pre-operating costs amounted to \$90,980 (2006 - \$37,000) for the three months ended March 31, 2007.

8. Related Party Transactions

In 2005, Kettles Hill entered into a subordinated note with Creststreet Windpower Development LP ("CWDLP") for \$900,000 to finance pre-development costs. Interest is charged at a rate of 10% per annum. For the three months ended March 31, 2007, the Partnership incurred \$22,192 (2006 - \$22,192) of interest, of which \$nil (2006 - \$14,548) was capitalized during the construction period.

During 2006, Creststreet Power & Income Fund LP (“CPIF”), a related party with common management issued subordinated promissory notes receivable to Kettles Hill in the amount of \$32.00 million. During the first quarter of 2007, a further \$2.00 million was invested. The subordinated promissory note is unsecured and will not hold any liens over any assets of Kettles Hill. The subordinated note bears interest at 9.25% per annum until October 31, 2009 and thereafter at a rate of 10.5% per annum. The interest will not be received until the earlier of September 30, 2007 or sixty days after completion of the Infill Phase; however, it will be accrued on a monthly basis. The subordinated note is due on October 31, 2009, unless CPIF acquires more than 50% of Kettles Hill then the subordinated note will mature October 31, 2026. If Kettles Hill is acquired by a third party other than CPIF, then CPIF has a right to put all or a portion of the subordinated note to the Partnership, and the Partnership shall be required to purchase the subordinated note at 110% of par plus 50% of the amount, if any, that the fair market value of each Class A Share of Kettles Hill, realized upon a change of control, exceeds \$1.87 per Class A share multiplied by the principal amount of the Kettles Hill subordinated notes held by CPIF divided by \$1.70. The subordinated promissory notes were collateralized by the plant and equipment and construction-in-progress at Kettles Hill.

On May 31, 2007 CPIF agreed to invest up to \$1.9 million of subordinated notes that have substantially the same terms as the previous notes except that the interest rate is 12% per annum, there is a standby fee of \$0.50% per annum payable monthly and a placement fee of \$100,000.

Financing fees incurred for the first quarter of 2007, related to the issuance of the \$2.00 million subordinated note in the quarter were \$100,000 (2006 \$nil) which were netted against the subordinated debt. For the quarter ended March 31, 2007 interest incurred relating to the subordinated note was \$750,390 (2006 - \$62,849), of which \$602,137 (2006 - \$26,610) was capitalized to Construction-in-progress and \$148,253 (2006 - \$36,240) was expensed to the income statement. The subordinated notes with CPIF are valued at their exchange value.

For the three month period ended March 31, 2007, the fees charged by Creststreet Capital Corporation (“CCC”), Creststreet Kettles Hill Windpower Management Limited (the “Manager”) and Creststreet Kettles Hill Windpower General Partner Limited (the “General Partner”) in accordance with the management agreement and financial services agreement, and for reimbursement of expenses amounted to \$321,323 (2006 - \$133,000).

For the three month period ended March 31, 2007, Creststreet Holdings Ltd.(“CHL”), a related party with common management, was paid \$nil (2006 - \$65,000) as reimbursement for costs it paid directly on behalf of the Partnership.

For the three month period ended March 31, 2007, fees charged by Benign Energy Canada Inc. (“BECI”) in accordance with the Consulting Agreement and Management Services Agreement, including reimbursement for out-of-pocket expenses amounted to \$33,072 (2006 - \$417,000).

The current amounts due (to) from related parties are as follows:

	March 31, 2007	December 31, 2006
CCC	(577)	\$(320)
CWDLP	(207)	(187)
BECI	(38)	(51)
CPIF	(2,072)	(1,322)
Dokie Wind Energy Inc.	5	5
Benchland Wind Power Corp.	11	11
	\$(2,878)	\$(1,864)

9. Credit Facilities

Facility	Available Credit	Amount Advanced	Interest	Maturity
Subordinated Notes				
– CPIF	\$34,000	\$ 34,000	9.25%	October 31, 2009
– CWDLP	\$900	\$900	10%	July 31, 2025
Credit Facilities				
Tranche A	13,750	13,750	5.92%	December 31, 2008
Tranche A2	8,750	-	11.52%	December 31, 2008
Tranche B	20,000	20,000	6.11%	December 31, 2016
Tranche C	5,000	-	12.00%	December 31, 2008
Total	\$82,400	\$ 68,650		

See related party note 8 for detail on the subordinated notes – CPIF and CDWLP.

On December 19, 2005, Kettles Hill announced the closing of a \$42.5 million credit facility to finance a portion of the construction of the Infill Phase with a major Canadian financial institution. On September 14, 2006, Tranche B of the credit facility was advanced as a construction loan. On December 22, 2006, \$13.75 million of Tranche A was advanced as a construction loan. Amounts not drawn by the earlier of the completion of construction of the Infill Phase and December 31, 2006, will be cancelled. All outstanding amounts in the construction loan will be converted to a term loan upon completion of the construction of the Infill Phase.

During the second quarter of 2006 this credit facility was amended, to reflect the construction delays that had occurred, by extending the timing of the first advance under the facility from June 30, 2006 to September 30, 2006.

On August 4, 2006, \$8.75 million of Tranche A became subject to Kettles Hill receiving confirmation that it will receive contributions from the Canadian federal government's Wind Power Production Incentive ("WPPI") program or an equivalent program. If confirmation of the contribution is received, this \$8.75 million advance will use the interest rate mechanism described below using the credit spread for Tranche A shown in the following table. If the WPPI contribution is received, this portion of the loan will not require principal payments consistent with the rest of the loan. If the WPPI contribution is not received, this advance's interest rate will then be calculated using the Government of Canada long bond yield for Tranche A described below but will use the credit spread for Tranche A2 shown in the table below. As well, if the WPPI contribution is not received this portion of the loan will require principal payments of \$2.0 million per year until March 31, 2009.

In the fourth quarter of 2006, Kettles Hill negotiated a \$5.0 million subordinated debt facility with a major Canadian financial institution as an additional tranche (Tranche C) to provide additional liquidity to finance a portion of the cost increases and to also provide additional liquidity in the event that there may be potential cost increases, during the construction of the Infill Phase. This facility, which matures on December 31, 2008, bears interest at 12% per annum and requires excess cash flow as defined by the agreement to be used to partially repay outstanding balances in excess of \$2 million prior to December 31, 2008. The other terms and conditions are standard for this type of facility.

Repayment of the credit facility is interest only until maturity except as described above. Interest for both Tranche A and B is based on the long bond yield on the date of the first advance for each respective tranche plus a credit spread, compounded and payable monthly in arrears. The long bond yield for Tranche A is the mid-market semi-annual interpolated yield of the Government of Canada 6% Bond due June 1, 2008 and the Government of Canada 5.5% Bond due June 1, 2009 based on a term to maturity ending approximately on December 31, 2008. Interest for Tranche A was determined one day prior to the advance at 5.92%. The long bond yield for Tranche B is the mid-market semi-annual interpolated yield of the Government of Canada 4.5% Bond due June 1, 2015 and the Government of Canada 9.25% Bond due June 1, 2022 based on a term to maturity ending approximately on December 31, 2016. Interest for Tranche B was determined one day prior to the advance at 6.11%.

The credit spread is:

Credit Spread	To December 31, 2008	After December 31, 2008
Tranche A	200 bps	N/A
Tranche A2	750 bps	N/A
Tranche B	200 bps	175 bps

As at March 31, 2007, the average interest rate for the \$42.5 million construction loan facility if drawn and if Kettles Hill receives the WPPI contribution, would be 6.01%. If Kettles Hill is not eligible for WPPI or if the program ceases to exist, the interest rate on this loan will be 7.16%.

For the three months ended March 31, 2007 the Partnership incurred \$502,026 (2006 - \$nil) of interest on the credit facility advanced by major financial institution, which was capitalized to Construction-in-progress during the Infill Phase.

At March 31, 2007, the Senior debt was valued at \$13.03 million for Tranche A using an effective interest rate of 9.19% and \$18.82 million for Tranche B using an effective interest rate of 6.74%.

The credit facilities were collateralized by plant and equipment and construction-in-progress at Kettles Hill.

The payment of the principal of, and interest on, the subordinated notes is fully subordinated to the credit facility. The payment of interest on the subordinated notes will rank in priority to the payment of interest only on other subordinated indebtedness and the payment of principal on the subordinated notes will rank pari passu with the payment of principal on other subordinated indebtedness of Kettles Hill.

10. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of the obligation associated with the retirement of wind farm properties.

	March 31, 2007	December 31, 2006
Asset retirement obligation, beginning of period	\$ 231	\$ -
Liabilities incurred	314	218
Accretion expense	7	13
Asset retirement obligation, end of period	\$ 552	\$ 231

The total undiscounted amount of estimated cash flows required to settle the obligation at March 31, 2007 was \$2.52 million (2006 - \$0.13 million). This amount was then adjusted for inflation at a rate of 2% and it was discounted using a credit adjusted risk free rate of 10.72%. Most of these obligations are not expected to be paid for 20 years and will be funded from general company resources at that time.

Asset retirement obligations are primarily associated with certain closure, reclamation and restoration costs related to retirement of the wind farm properties. Actual obligations could differ from these estimates. Revisions to the Partnership's asset retirement obligation will be made prospectively if new information is available.

11. Commitments

(In \$ millions)	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long-term debt obligations	\$68.65	\$ -	\$47.75	\$ -	\$20.90
WMS agreement	5.49	0.70	2.27	2.28	0.24
Total obligations	\$74.14	\$0.70	\$50.02	\$2.28	\$21.14

On March 5, 2007, the Partnership engaged an independent financial advisor to provide financial advice on future possible transactions with respect to providing liquidity to the Limited Partners. The Partnership is committed to paying the advisor up to \$100,000 plus a success fee based on the transaction value.

12. Economic Dependence

For the period ended March 31, 2007, the Partnership was dependent on Alberta Electric System Operator for 100% of its revenue from electricity sales.

13. Financial Instruments

At March 31, 2007, the carrying amount of cash, cash held in escrow, accounts receivable, accounts payable, accrued liabilities and due to related parties approximates fair value due to their short-term nature.

At March 31, 2007, the exchange amount of subordinated notes payable to CPIF of \$34.00 million and \$900,000 to CWDLP approximate the carrying value due to the nature of the related party subordinated notes.

The Partnership is exposed to foreign currency fluctuations, to the extent that purchases are denominated in foreign currencies.

The Partnership's credit facilities bear interest based on long bond yield plus a credit spread, and therefore are subject to risks related to interest rate fluctuations.

Accounts receivable include amounts receivable from electricity sales that are made to a large credit-worthy purchaser Alberta Electric System Operator. Accordingly, the Partnership views credit risks on these amounts as low.

Creststreet Kettles Hill Windpower General Partner Limited

Directors of the General Partner

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President
Pivotal Capital Advisory Group Ltd.

John P. A. Budreski

President and Chief Executive Officer,
Orion Securities Inc. and
Orion Financial Inc.

David P. Smith

Managing Partner
Enterprise Management Capital Inc.

Robert J. Toole

Managing Director
Creststreet Capital Corporation

Officers of the General Partner

Robert J. Toole

President and Chief Executive Officer

Derren Newell

Vice-President, Finance and
Chief Financial Officer

Erich Ossowski

Vice-President, Windpower Development

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