



Creststreet 2011 Flow-Through Limited Partnership Quebec Class

2011 > Interim Report

Management Report of Fund Performance

For the Period Ended June 30, 2011

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE INTERIM REPORT OF CRESTSTREET 2011 FLOW-THROUGH LIMITED PARTNERSHIP - QUEBEC CLASS (THE "PARTNERSHIP").

UNITHOLDERS MAY OBTAIN A COPY OF THE INTERIM FINANCIAL STATEMENTS AT NO COST BY CALLING 1-866-864-6330, BY WRITING TO CRESTSTREET GENERAL PARTNER LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT WWW.CRESTSTREET.COM. UNITHOLDERS MAY ALSO CONTACT CRESTSTREET USING ONE OF THESE METHODS TO REQUEST A COPY OF THE PARTNERSHIP'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

THE ACCOMPANYING INTERIM FINANCIAL STATEMENTS HAVE NOT BEEN REVIEWED BY THE EXTERNAL AUDITORS OF THE PARTNERSHIP. THE EXTERNAL AUDITORS WILL BE AUDITING THE ANNUAL FINANCIAL STATEMENTS OF THE PARTNERSHIP IN ACCORDANCE WITH CANADIAN GENERALLY ACCEPTED AUDITING STANDARDS.

Results of Operations

Investment Performance

We are pleased to provide the semi-annual update for the Creststreet 2011 Flow-Through Limited Partnership - Québec Class. The Creststreet 2011 Flow-Through Limited Partnership - Québec Class completed the final closing for its initial public offering of units on April 21, 2011.

Creststreet expanded its flow-through investment team in 2010, and now have one of the top execution capabilities both in energy and metals & mining flow-through in Canada. In addition, Creststreet pioneered our new dual class structure for the flow-through limited partnership in 2010 and enhanced the tax efficient rollover options to include the more conservative Creststreet Dividend & Income Fund managed by award winning veteran income fund manager Bill Shaw.

It has been a challenging environment for most global equity markets, in particular for the natural resource sectors as strengthening global macroeconomics headwinds have overshadowed underlying fundamentals, both in the commodity complexes and the resource equities. The bellwether of base metals, copper, remained relatively strong closing the quarter at a very robust US\$4.28/lbs, down -3.7% for the first six months of the year. The profit margins and net asset values for many of the base metal producers and developers remaining very attractive at current prices. It is a similar situation for our positive oil outlook, with producers generating very strong rates of return in the current commodity price environment. Despite the strong commodity prices, the underlying equities have underperformed over the short term, as highlighted by the returns in the resource benchmarks highlighted above. Of particular note during the second quarter was the broad based sell off in the smaller capitalization equities, as witnessed by the -17.1% decline in second quarter for the resource heavy S&P TSX Venture Index for the second quarter. Despite the aggressive sell off in the underlying equities, the underlying commodities prices have been relatively resilient resulting in what we believe to be very attractive valuation metrics for the equities.

We had anticipated a correction in the market however we were unaware of the timing. As such, we opted and guided to have the proceeds systematically invested over time into flow-through issuers over the past several months. Currently, approximately 42% of the gross proceeds have been invested; with a target of 50%-75% to be invested in Québec issuers remaining on track. Our sub sector guidance of a bias towards metals and mining remains in line, with several excellent mid cap mining deals completed during the second quarter. The average size of companies in the portfolio has come in larger than expected while premiums thus far have come in below our expectations with our average guidance remaining at 20%. We anticipate being 80% invested by the early fall with several deals in the pipeline. We plan on committing the remaining 20% by the end of the year.

We have a positive outlook for the commodity complex over the near to mid-term and believe that the equities will outperform through the next year as multiples expand to more realistic mid cycle levels as sentiment starts to shift from the recent overly pessimistic tones.

We thank you for your investment and look forward positive markets through the second half of 2011 and into 2012.

Revenues and Expenses

The Partnership commenced operations on February 24, 2011 and for the period ended June 30, 2011, the Partnership incurred expenses totaling \$88,165. The Manager is entitled to an annual partnership advisor fee of 2% of the net asset value of the Partnership calculated and paid monthly in arrears. The partnership advisor fee amounted to \$35,781 for the period ended June 30, 2011. The Partnership negotiated a term loan facility which allows it to borrow an amount to pay agents' fees and other issue costs thereby maximizing its investment in flow-through securities. The loan balance and the interest paid by the Partnership as at June 30, 2011 were \$532,105 and \$12,769 respectively. Other expenses of \$39,615 were incurred in the normal operation of the Partnership.

Investment Objectives and Strategies

The investment objective of the Partnership is to provide the Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Securities issued by Resource Issuers engaged in oil and gas, mining or renewable energy exploration and development primarily in the Province of Québec.

The Partnership's portfolio is managed with a view to the preservation of capital and capital appreciation on the Portfolio's investments. The Partnership's investment strategy is to invest in Flow-Through Securities that (i) represent good value in relation to the market price and intrinsic value of the Resource Issuer's shares, (ii) have experienced and capable senior management, (iii) have a strong exploration or development program or renewable energy project in place and (iv) offer potential for future growth. The Partnership may also invest Available Funds in other Flow-Through Securities. The Partnership has the following investment guidelines in place that govern investing activities.

Resource Issuers - The Partnership invests substantially all of its funds in the flow-through securities of companies engaged in oil and gas, mining, or renewable energy exploration and development primarily in the Province of Québec. To the extent that the Partnership disposes of these securities (for example, if a take-over bid is made for such securities), the Partnership may reinvest the net proceeds in securities of other resource issuers, including flow-through securities, or to exercise warrants or invest in High Quality Liquid Investments, subject to the terms of the Loan Facility.

Exchange Listing - The Partnership invests a minimum of 80 percent of funds in flow-through securities of resource issuers that are listed on the TSX or on the TSX Venture Exchange.

Market Capitalization - Fifty percent of the Partnership's investments must be in flow-through shares in resource issuers whose market capitalization is at least \$50 million at the time of purchase.

Private Companies - The Partnership may invest 20 percent of its funds in resource issuers that are not publicly traded.

Diversification - The Partnership may not purchase securities of any one issuer if that purchase would result in a position that is greater than 10 percent of the Partnership's net asset value at the time of purchase, however, the Partnership may invest up to 20 percent of its net asset value (determined at the time of purchase) in resource issuers with a market capitalization of more than \$50 million per issuer, and may invest up to 30 percent of its net asset value in resource issuers with a market capitalization of more than \$100 million.

No Control - The Partnership may not purchase securities of a reporting issuer for the purposes of exercising control or management of such issuer. The Partnership may not purchase more than 10 percent of the voting securities of any issuer.

Risk

The Partnership invests primarily in the equity securities of Canadian resource issuers and investors are exposed to the risks and rewards of the Canadian resource sector. The Partnership focuses on small and middle market capitalization companies as these companies have historically generated higher per share returns, however, these companies can be more volatile than some of the larger capitalization companies. The Partnership has entered into a loan facility to finance the Agents' fee, expenses of the Offering and certain other estimated operating and administrative expenses in order to maximize the allocation of the gross proceeds of the Offering towards the purchase of Flow-Through Securities. The loan may enhance volatility in the portfolio. The Partnership has not drawn on the loan facility as at the end of the period. In addition, there are specific risks to investing in Flow-Through shares as detailed in the Partnership's prospectus. A discussion of the Partnership's risk exposures can be found in the Partnership's prospectus and in the notes of the 2011 semi annual financial statements.

Past Performance

The Partnership has not presented its historical performance because it commenced operations on February 24, 2011 and has not been in operation for a full financial fiscal year.

Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance for the period since its inception on February 24, 2011 to June 30, 2011. This information is derived from the Partnership's interim financial statements.

The Partnership's Net Asset Value (NAV) per Unit:

	2011
Net assets, beginning of period ⁽¹⁾	\$ 10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	(0.17)
Realized gains (losses) on investments	-
Unrealized gains (losses) on investments	(1.57)
Transaction costs	-
Total increase (decrease) from operations⁽²⁾	\$ (1.74)
Net assets, end of period⁽³⁾	\$ 7.67

(1) This information is derived from the Partnership's interim financial statements. The inception date of the Partnership was February 24, 2011 at which time the units were offered at \$10.00 per unit.

(2) Net asset value is based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) These calculations are prescribed by securities regulators and are not intended to act as a continuity of the opening and closing net assets per unit.

Ratios and Supplemental Data

	2011
Total Net asset (GAAP NAV) (\$) (000's) ⁽¹⁾	4,662
Number of units outstanding ⁽¹⁾	608,120
Management expense ratio (MER) ⁽²⁾	5.95%
Portfolio turnover rate ⁽³⁾	-
Trading expense ratio ⁽⁴⁾	-
Net asset value per unit (Pricing NAV) (\$)	7.68

(1) This information is provided as at June 30 for the period shown.

(2) The management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Partnership's portfolio turnover rate indicates how actively the Partnership's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Recent Developments

Changeover to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has confirmed the ability to defer the adoption of International Financial Reporting Standards ("IFRS") to fiscal periods beginning on or after January 1, 2013 for entities applying Accounting Guideline 18, Investment Companies. The Partnership intends to adopt IFRS on January 1, 2013.

The Manager of the Partnership has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per unit. IFRS is expected to have an impact on the presentation of unitholders' equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

Harmonized Sales Tax

Effective July 1, 2010, Ontario replaced their Provincial Sales Tax ("PST") and Federal Goods and Service Tax ("GST") with a single Harmonized Sales Tax ("HST") of 13 percent. Partnership Advisor fees and all other expenses charged to the Partnership are subject to HST. New rules in Canada require Investment Funds to calculate HST using the residency of the unit holders and the current value of their interests, rather than the physical location of the Fund. The use of this blended rate will allow the Partnership to reduce the effect of harmonization to the extent the Partnership has residents in provinces not subject to HST.

Related Party Transactions

Creststreet General Partner Limited (the 'General Partner') is responsible for the ongoing business, investment and administrative affairs of the Partnership. The General Partner is a wholly owned subsidiary of Creststreet Asset Management Limited. Creststreet Asset Management Limited, a corporation registered as a portfolio manager and investment fund manager in Ontario, is the portfolio advisor and manager (the "Manager") of the Partnership. The Portfolio Manager provides investment, management, administrative and other services to the Partnership.

Independent Review Committee

Further to the requirements in National Instruments 81-107 – Independent Review Committee for Investment Funds, which came into effect as of November 1, 2007, the General Partner, has appointed an Independent Review Committee (“IRC”) with a mandate to provide impartial recommendation or judgement on conflict of interest matters with regard to the operations of the Partnership and its respective portfolio. The IRC is composed of three members, all of whom are independent of the General Partner and its affiliates. The compensation and other reasonable expenses of the IRC is paid pro-rata amongst the investment funds for which the IRC has been appointed as the independent review committee, based on assets of each investment fund at the time the expenses are paid, and is paid as an expense of the Partnership.

The General Partner received the following approvals and standing instructions from the IRC for the period ending June 30, 2011:

1. Expense Allocation
2. Fee Allocation
3. Start-up/Organizational Expenses
4. Standards of Fairness
5. Trade Errors and Trade Modifications
6. Trade Management and Best Execution
7. Investment Suitability and Allocation
8. Proxy Voting
9. Access Person Trading
10. Creation & Management of new Investment Funds / Right of First Refusal

In each case, the standing instructions require the General Partner to comply with its related policies and procedures and to report periodically to the IRC.

The IRC is required to issue an annual report detailing its activities for the year, which is available to the shareholders on the website at www.creststreet.com or at their request and at no cost by calling toll-free 1.866.864.6330.

Partnership Advisor Fee

The Portfolio Manager provides investment and administrative services to the Partnership. In consideration for these services, the Partnership pays out a partnership advisor fee to the Manager equal to 2.0% per annum of the net asset value of the Partnership, calculated and payable monthly in arrears. Harmonized Sales Tax (HST) is paid on all partnership advisory fees. Partnership advisor fees totalled \$35,781 for the period ended June 30, 2011.

Summary of Investment Portfolio

As at June 30, 2011

Sector Mix	% of net assets
Long Positions:	
Metals & Mining	20.0%
Energy	8.9%
Other	4.3%
Total Investments	33.2%
Cash and cash equivalents	80.4%
Other net assets	-13.6%
	100.0%
Top Positions	
% of net assets	
Tourmaline Oil Corp.	5.1%
Hathor Exploration Ltd.	4.3%
Gold Bullion Dev Corp.	4.0%
Labrador Iron Mines Holdings Ltd.	3.9%
Fancamp Exploration Ltd.	2.7%
Nevado Resources Corp.	2.7%
Alberta Oil Sands Inc.	2.5%
Blue Note Mining Inc.	2.3%
Monarques Resources Inc.	2.2%
Canada Zinc Metals Corp.	2.2%
Waldron Energy Corp.	1.3%
Total Net Asset Value	\$ 4,662,484

The summary of investment portfolio may change due to ongoing portfolio transactions of the Partnership. A quarterly portfolio update is available to the investor at no cost by calling 1-866-864-6330, by writing to Creststreet 2011 Flow-Through Quebec Class Limited Partnership, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting the website at www.creststreet.com.

Statement of Net Assets

As at June 30 (unaudited)	2011
Assets	
Investments at market value	\$ 1,557,794
Cash and cash equivalents	3,737,521
	<hr/> 5,295,315
Liabilities	
Accounts payable and accrued liabilities	100,726
Loan liability (note 3)	532,105
	<hr/> 632,831
Net assets - GAAP NAV (note 2)	\$ 4,662,484
Adjustment from bid market prices to last traded market prices	10,849
Net asset value - Pricing NAV (note 2)	\$ 4,673,333
Units outstanding	608,120
Net assets per unit - GAAP NAV (note 2)	\$ 7.67
Adjustment from bid market prices to last traded market prices	0.01
Net asset value per unit - Pricing NAV (note 2)	\$ 7.68

See accompanying notes to the financials

Approved by Creststreet General Partner Limited on behalf of
Creststreet 2011 Flow-Through Limited Partnership – Quebec Class



Robert J. Toole
Director



Stuart P. Hensman
Director

Statement of Operations

For the period from the date of inception on February 24 to June 30 (unaudited) 2011

Expenses	
Partnership advisor fees (note 4)	\$ 35,781
Operating expenses	15,032
Audit fees	6,068
Legal and filing fees	1,616
Custodial fees	2,623
Interest expense	12,769
Securityholder reporting costs	9,553
IRC expense	4,723
	<hr/>
	\$ 88,165
Loss from investment operations	<hr/> (88,165)
Change in unrealized depreciation of investments	(798,446)
Net unrealized loss on investments	(798,446)
Decrease in net assets from operations	<hr/> \$ (886,611)
Per unit	
(based on average number of units outstanding)	510,120
Decrease in net assets from operations per unit	<hr/> \$ (1.74)

See accompanying notes to the financials

Statement of Changes in Net Assets

For the period from the date of inception on February 24 to June 30 (unaudited) 2011

Net assets at the beginning of period	<hr/> \$ -
Decrease in net assets from operations	(886,611)
Capital transactions	
Proceeds from the issue of units	6,081,200
Agents' fee and issue costs	(532,105)
Net assets at the end of period - GAAP NAV (note 2)	<hr/> \$ 4,662,484
Adjustment from bid market prices to last traded market prices	10,849
Net asset value at the end of period - Pricing NAV (note 2)	<hr/> \$ 4,673,333

See accompanying notes to the financials

Statement of Cash Flows

For the period from the date of inception on February 24 to June 30 (unaudited)

2011

Cash flows from (used in) operating activities

Loss from investment operations	\$	(88,165)
Investments purchased		(2,356,240)
Net change in non-cash working capital		100,726
Cash flows used in operating activities	\$	(2,343,679)

Cash flows from (used in) financing activities

Proceeds from issue of units	\$	6,081,200
Proceeds from loan		532,105
Payment of agents' fee and issue costs		(532,105)
Cash flows from financing activities	\$	6,081,200
Net increase in cash and cash equivalents	\$	3,737,521
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	\$	3,737,521

See accompanying notes to the financials

Statement of Investment Portfolio

As at June 30, 2011

Issuer	Number of Securities	Type of Security	Cost	Fair Value
Tourmaline Oil Corp.	7,500	Common shares	\$ 225,000	\$ 240,000
Hathor Exploration Ltd.	75,000	Common shares	225,000	201,750
Gold Bullion Development Corp.	500,000	Common shares	305,000	187,500
Labrador Iron Mines Holdings Ltd.	15,000	Common shares	225,000	183,750
Fancamp Exploration Ltd.	375,000	Common shares	300,000	127,500
Nevado Resources Corp.	375,000	Common shares	210,000	127,500
Alberta Oilsands Inc.	480,000	Common shares	240,000	117,600
Blue Note Mining Inc.	1,500,000	Common shares	150,000	105,000
Monarques Resources Inc.	400,000	Common shares	200,000	104,000
Canada Zinc Metals Corp.	250,000	Common shares	192,500	100,000
Waldron Energy Corp.	21,200	Common shares	83,740	59,996
Canada Zinc Metals Corp.	125,000	Warrants	-	3,198
Total investments			\$ 2,356,240	\$ 1,557,794

See accompanying notes to the financials

Notes to Financial Statements

For the period from the date of inception on February 24 to June 30, 2011

1. Establishment of the Partnership

Creststreet 2011 Flow-Through Limited Partnership (the "Flow-Through Partnership") was formed as a limited partnership under the laws of the Province of Ontario on December 3, 2010. The Partnership consists of two classes of limited partnership units, the Creststreet 2011 FT Quebec Class (the "Partnership") and the Creststreet 2011 FT National Class, each of which is a separate non-redeemable investment fund for securities laws purposes with its own investments portfolio and investment objective. The investment objective of the investment portfolio comprising the Quebec Class units is to invest in a diversified portfolio of flow-through shares of resource companies engaged in mining, oil and gas, or renewable energy exploration and development across Canada.

The General Partner of the Partnership is Creststreet General Partner Limited (the "General Partner") which is a promoter of the Partnership in connection with the offering of units of the Partnership.

The portfolio advisor and manager to the Partnership is Creststreet Asset Management Limited (the "Manager") which is also a promoter of the Partnership in connection with the offering of units of the Partnership.

Under its amended and restated limited partnership agreement dated as of January 27, 2011, the Partnership will be dissolved on or about January 18, 2013.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the following is a summary of significant account policies followed by the Partnership:

(a) Valuation of investments

Investments are deemed to be held for trading in accordance with Section 3855 and are therefore recorded at fair value.

Fair value of securities held by the Partnership that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities that are not listed or traded on a public securities exchange or actively traded on an over-the-counter market, will be valued at its fair value determined Manager pursuant to the Manager's established pricing policies. Acquisition cost may be used as a fair value proxy, particularly if the acquisition date of the investment was within the current fiscal year. For unlisted securities, the Manager's policy is to use evidence of arm's length third party transactions, where possible, in determining the fair value. The restricted securities (including securities subject to any hold period) are valued on reported quotations in common use unless a different fair market value is determined by the Manager. The Black Scholes pricing methodology is used to price the warrants held by the Partnership.

CICA Emerging Issues Committee Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173") clarifies how the Partnership's own credit risk and the counterparty risk should be taken into account in determining the fair value of financial instruments. The application of the EIC-173 does not have a significant impact on the valuation of the Partnership's financial instruments or its net assets.

CICA Handbook Section 3855 impacts the valuation and the disclosure of the net assets of an investment fund for financial reporting purposes ("GAAP NAV" or "Net Assets") as the Canadian GAAP requires securities traded on a public exchange be valued at bid price for long positions and ask price for securities sold short. The value used to determine the Partnership's daily price for purchases and redemption of units ("Pricing NAV" or "Net Asset Value") is, however, not affected by the Section 3855 accounting policy change, as permitted by NI 81-106. This will result in a difference between the Net Assets Value (Pricing NAV) and Net Assets (GAAP NAV), which is presented in the Statements of Net Assets.

(b) Cash and cash equivalents

Cash comprises of cash on deposit. This is deemed to be held for trading and is therefore carried at fair value.

(c) Other assets and liabilities

Accounts payables and accrued liabilities and loan liability are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these liabilities due to their short term nature

(d) **Investment transactions and income recognition**

Investment transactions are accounted for as of the trade date, and any related gains or losses from such transactions are calculated on an average cost basis. Dividend income is recognized on the record date and interest income is accrued as earned.

(e) **Allocation of partnership income or loss**

The net income of the Partnership is allocated 0.01 percent to the General Partner and the balance, along with the 100 percent of the net loss of the Partnership, among the limited partners in proportion to the number of units held by each of them at the end of each period. The Partnership is not itself a taxable entity, and therefore no provision for income tax is required.

(f) **Use of estimates**

The preparation of the financial statements in accordance with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and loss for the reporting period. Actual results could differ from those estimates.

3. **Loan Payable**

A term facility in the amount of \$532,105 is due to mature on the earlier of February 24, 2013 or the dissolution date of the Partnership. The facility is secured by a general security agreement and interest is calculated at the bank's prime rate plus 2 percent.

4. **Partnership Advisor Fees**

The Manager will be entitled to an annual fee of 2% of the net asset value of the Partnership calculated and paid monthly in arrears. The partnership advisor fee amounted to \$35,781 for the six months ended June 30, 2011. The General Partner has a 0.01 percent beneficial interest in the Partnership.

5. **Liquidity of Partnership Units and Termination of Partnership**

On or about January 18, 2013, the Partnership is scheduled to transfer all of its assets to Creststreet Resource Fund, a class of shares of Creststreet Mutual Funds Limited, an open-ended mutual fund (the "Mutual Fund"), in exchange for shares of the Mutual Fund. Upon this transfer, the Partnership will be dissolved at which time the net assets will be allocated 99.99 percent to the limited partners and 0.01 percent to the General Partner. Upon dissolution, the limited partners will receive their pro-rata share of the shares of the Mutual Fund.

6. **Financial Instrument Risk**

The Partnership's objective is to invest in the flow-through securities of resource issuers engaged in oil and gas, mining, or renewable energy exploration and development across Canada. Accordingly, the Partnership is exposed to all of the risks associated with investments in such securities. The Partnership's use of financial instruments gives rise to a number of risk factors.

Market Risk

Market risk is simply the risk that the fair value of a financial instrument will fluctuate because of volatility of market prices. Market risk is comprised of three types of risk: *currency risk*, *interest rate risk*, and *other price risk*.

Currency Risk

Currency risk is the risk that the fair value of a financial instrument could fluctuate due to changes in foreign currency exchange rates. The Partnership's functional currency is Canadian dollars, and the Partnership is exposed to foreign currency risk when it invests in securities denominated in another currency since the fair value of those securities is determined by converting the price of the security into Canadian dollars. As at June 30, 2011, the Partnership did not hold any securities denominated in foreign currencies, hence there was no currency risk exposure to the Partnership.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market interest rates. The immediate impact of interest rate risk is greatest on debt and fixed income securities that have a relatively long duration (generally one year or more to maturity). The Partnership did not hold any such securities as at June 30, 2011, or at any time during the periods then ended.

Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The General Partner mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Partnership's investment objectives. As at June 30, 2011 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV and the NAV per unit of the Partnership may have been \$52,248 and \$0.09 per unit higher or lower, respectively. This estimation is based on statistical tools that measure the relationships between each security in the Partnership's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the Partnership. The Partnership does not typically invest in debt securities, thereby minimizing the Partnership's exposure to credit risk. The Partnership is exposed to credit risk to the extent that the Partnership's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Partnership employs a custodian that meets certain capital requirements. These regulations state that, among other things, a Partnership's custodian is a bank listed in Schedule I, II, or III of the *Bank Act (Canada)*, or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Partnership's custodian, RBC Dexia Investor Services Trust meets all Canadian Securities Administrators' requirements to act as custodian.

7. Fair Value Measurement

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires the Partnership to present a classification of fair value measurements of the Partnership's investment based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair value inputs is summarized as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are easily accessible.

Level 2: Inputs other than quoted prices that is observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable data. There is little, if any, market activity and hence the requires significant management judgment or estimation.

The following fair value hierarchy table presents information about the Partnership's assets measured at fair value on a recurring basis as of June 30, 2011.

	Level 1		Level 2		Level 3		Total
Equities	\$	1,554,596	\$	-	\$	-	1,554,596
Warrants		-		3,198		-	3,198
	\$	1,554,596	\$	3,198	\$	-	1,557,794

8. Tax Shelter Identification Number

The identification number issued for the Partnership should be included on any income tax return filed by a Limited Partner. Issuance of the identification number is for administration purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The Partnership's federal and Quebec provincial tax shelter identification numbers are TS 078105 and QAF-11-01418, respectively.

9. Changeover to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (the "AcSB") has confirmed the ability to defer the adoption of International Financial Reporting ("IFRS") to fiscal periods beginning on or after January 1, 2013 for entities applying Accounting Guideline 18, Investment Companies. The Partnership intends to adopt IFRS on January 1, 2013.

The Manager of the Partnership has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per unit. IFRS is expected to have an impact on the presentation of unitholders' equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

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Creststreet General Partner Limited

Board of Directors

Jeffrey S. Boyce*
Chairman and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**
Corporate Director

John E. Thompson*
President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.
Managing Director
Creststreet Asset Management Limited

Officers

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

Donna E. Shea, C.A.
Senior Vice-President, Finance and
Chief Financial Officer

Sheryl J. Chiddenton
Vice-President, Compliance and Investment
Services

Administrator

RBC Dexia Investor Services Trust
Toronto, Ontario

Custodian

RBC Dexia Investor Services Trust
Toronto, Ontario

Legal

McCarthy Tétrault LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario

Registered Office

Creststreet General Partner Limited
70 University Avenue, Suite 1450
Toronto, Ontario
M5J 2M4

Tel: (416) 864-6330
Toll-free: 1 (866) 864-6330
Fax: (416) 862-8950

E-mail: info@creststreet.com

www.creststreet.com

* Member of the Audit Committee and
Independent Review Committee

**Chair of the Audit Committee and
Independent Review Committee