

39.8%
Front Street
Energy
Growth
Fund

It's clear.

Managers do
make a difference.



*Managed for exceptional growth
by Norm Lamarche and Frank Mersch,
two of Canada's leading energy sector
investment advisors.*



Total return
from the
inception of
Front Street
Energy Growth
Fund on March 1, 2002
to June 30, 2003.

S&P/TSX
Composite
Index
-8.6%

S&P 500
Index
-12.0%

Nasdaq
Composite
Index
-6.3%

Dow Jones
Industrial
Average
-6.3%

ANNUAL REPORT 2003

Fiscal Period Ended March 31, 2003



Front Street Energy Growth Fund

The Fund

Front Street Energy Growth Fund offers Canadian investors a unique opportunity to invest in the next round of substantial growth in energy production and related service companies. The Fund has a true venture capital structure that allows it to partner with seasoned management teams and invest in both public and private companies.

Investment Objective

The Fund's objective is to achieve maximum capital appreciation by investing in small and medium-sized companies with strong growth prospects and a well-defined exit strategy, such as an initial public offering or acquisition.

The Fund generally avoids start-up or early-stage investments that require both more active management by the investment advisor, and a long period before an exit strategy can be executed.

Investment Strategy

The Fund uses its investment advisor's very strong relationships, and oil and gas sector knowledge to exploit the opportunity to fund experienced management teams who have previously operated successful oil and gas companies. The Fund identifies investment opportunities with a number of specific characteristics, including: a stage of development that permits an acquisition or IPO within two years; a strong and experienced management team; and a definitive competitive advantage. The strategy also favors public companies or private companies with strong prospects for an eventual IPO or acquisition. The Fund makes investments in the \$2 million to \$3 million range and endeavors to diversify its portfolio in a broad range of energy and energy-related industries.

Tax Benefits

The Fund is a qualified investment for RRSPs and RRIFs and registered under federal labour-sponsored venture capital corporation legislation. Canadian residents who invest in the Fund are eligible for a 15% federal tax credit on the first \$5,000 they invest each year. In addition, every \$1 (book value) of the Fund held in an RRSP increases the foreign content allowance of that RRSP by \$3, to a maximum foreign content allowance of 50%.

TABLE OF CONTENTS

- 1 Financial and Operating Highlights
- 2 Letter to Shareholders
- 4 The Fund's Investment Advisors
- 6 The Fund's Investment Portfolio
- 9 Management's Discussion and Analysis
- 10 Auditors' Report
- 10 Management's Responsibility for Financial Reporting
- 11 Statements of Financial Position
- 12 Statements of Income and Retained Earnings
- 13 Statements of Changes in Net Assets
- 14 Statement of Venture Investment Portfolio
- 15 Notes to Financial Statements
- 21 Board of Directors
- 21 Corporate Profile and Information

Financial and Operating Highlights

Front Street Energy Growth Fund has outperformed all funds in its sector for both the one year period ended March 31, 2003 and since inception March 1, 2002 to March 31, 2003.

The Fund's investment advisors, Norm Lamarche and Frank Mersch, continue to capitalize on their unique reputations and network of contacts in Canada's energy sector to source promising investments that will benefit shareholders.

The Fund added eleven companies (five public and six private) to the portfolio and divested two in the past fiscal year.

At March 31, 2003, the Fund's portfolio stands at eleven public and six private companies.

Fair value of public companies is 12,039,751, or 56% of portfolio.

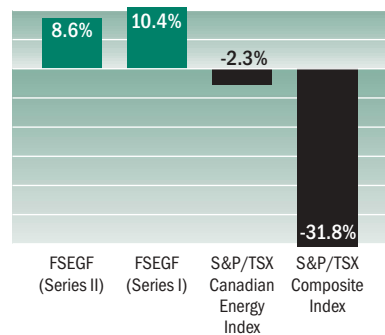
Fair value of private companies is \$9,352,958, or 44% of portfolio.

The total fair value of all portfolio investments is \$21,392,709, a gain of \$5,512,687, or 34.7% over original cost of investments of \$15,880,022.

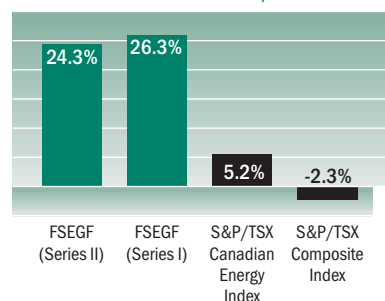
The Fund continues to attract Canadian investors. The total number of shareholders, in all three Fund series, has grown from 1,868 to 2,823 over the 2003 fiscal year.

TOTAL RETURNS

1 Year to March 31, 2003



1 Year to June 30, 2003



The Fund has a true venture capital structure that allows it to partner with seasoned management teams and invest in both public and private companies.

Letter to Shareholders

Dear Shareholder,

We are pleased to present the 2003 Annual Report for the Front Street Energy Growth Fund and to report the energy sector's best performance for both the year ended March 31, 2003 and since inception March 1, 2002.

The Fund's Net Asset Values per share for the fiscal year from April 1, 2002 to March 31, 2003 was:

	April 1, 2002		March 31, 2003	Return
Series I	\$11.20	to	\$12.73	12.1%
Series II	\$10.96	to	\$12.45	12.0%
Series III*			\$11.85	

- *Inception date of series III was July 16, 2002*
- *The different Net Asset Values among the three series of shares are a result of the amortization of the deferred sales charges associated with each series.*

The Fund is designed to take advantage of strong relationships in the energy sector developed over decades of experience by our Investment Advisors, Norm Lamarche and Frank Mersch. With their proven records of past performance, and the outstanding results posted by the Fund, there is clear evidence that "Managers do make a difference." Norm and Frank's knowledge and expertise have produced returns for our shareholders that far exceed all the standard benchmarks.

The Fund has other structural features that allow our Investment Advisors to maximize growth potential for investors. The Fund is registered as a Labour Sponsored Venture Capital Corporation under the Income Tax Act (Canada). This not only provides tax benefits to shareholders, it also allows the Fund to invest in both private and public companies. Because the start-up stage of a junior company offers the most exciting growth opportunities in the oil and gas sector, access to private companies offers our shareholders an early stage investing opportunity that is a clear advantage over other funds in the sector.

Many of the scenarios we outlined at the launch of Front Street Energy Growth Fund have begun to play themselves out in the energy patch. This validation of our investment strategy has resulted in strong returns for the Fund.

There are several recent examples. Two of our Portfolio companies, Fairborne Energy and DT Energy, realized value through reverse takeovers. Another, Crescent Point Energy, crystallized its value through a transition into a royalty trust and subsequently by launching another oil and gas exploration company.

Outlook

Broader equity markets have begun to show strength, both in overall returns, but more important in terms of the market sentiment of the retail investor. Front Street Capital has had strong sales, which in turn has allowed us to explore new investment opportunities in Canada's surging oil and gas sector.

This report marks the end of the first full year of operation for Front Street Energy Growth Fund. The Fund's performance continues to be outstanding and the outlook for future growth is strong.

We appreciate your support and confidence you have placed in Canada's leading energy sector fund. Our objective for the coming year is to continue to grow from the base we have created with your help.



Gary P. Selke

President and Chief Executive Officer

Front Street Capital Inc.

August 15, 2003



**The Fund is
designed to take
advantage of
strong relationships
in the energy
sector developed
over decades of
experience by our
Investment
Advisors**



Front Street Energy Growth Fund offers two exceptional Investment Advisors – Norm Lamarche and Frank Mersch — a platform to capture the opportunities available in the current new round of growth in Canada’s Energy Sector, to the benefit of the Fund’s shareholders.

The Fund’s Investment Advisors

Norm Lamarche and Frank Mersch, the two Front Street Capital portfolio managers responsible for the Front Street Energy Growth Fund, have decades of combined experience in the oil and gas sector and an excellent reputation for understanding and investing in successful business models. With their extensive network of strong contacts in the industry, Norm Lamarche and Frank Mersch have the kind of experience required to prosper in an energy sector growth environment. Oil patch entrepreneurs and management teams frequently approach them for expert advice and funding. As a result, Front Street Energy Growth Fund and its shareholders often gain access to promising investment opportunities before other investors.



Norm Lamarche

Prior to establishing Front Street Capital, Norm Lamarche was a portfolio manager with Altamira Management Ltd. where he managed the Altamira Resource Fund. From 1991 to 1995, Altamira Resource Fund grew from \$3 million to \$1.1 billion and provided investors an annual average return of 31%, making it the top performing resource fund in Canada. Concurrently Norm managed the Orbitex Natural Resources Fund, which was ranked “Best of the Best” by Das Wertpapier. Since 1998, Norm has managed more than \$330 million in the Canada Dominion Resource Flow-through Limited Partnerships

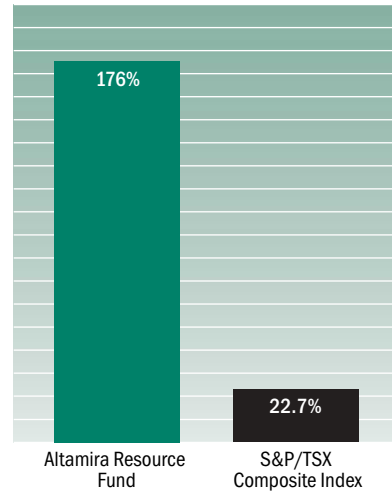
I through XI – the best performing flow-through funds in Canada.

Frank Mersch

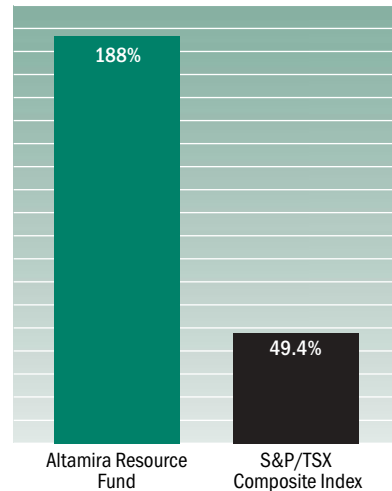
Frank Mersch established Casurina Limited Partnership, one of Canada’s largest privately managed hedge funds, in 1999. Casurina LP has a cumulative return greater than 95% since inception. Previously, he was a partner and Senior Equities Manager at Altamira Management Ltd. where he managed the Altamira Equity Fund from 1987 to 1998. During that period, this fund, which had a heavy resource sector weighting, grew to \$2.5 billion, one of Canada’s largest. As a portfolio manager, Frank achieved the best 10-year plus return average in Canada, with an impressive 19% average annual growth over 12 years.



A HISTORY OF SUPERIOR PERFORMANCE



Total return of Altamira Resource Fund, while managed by Norm Lamarche from February, 1991 to January, 1995.



Total return of Altamira Equity Fund, while managed by Frank Mersch from November, 1987 to May, 1998.



The Fund's Portfolio

Public Companies

Atlas Energy Limited (AED – CDNX)

Atlas has a strong management team and an asset base of more than 90,000 acres of land, of which 50,000 is undeveloped. Atlas is a natural gas weighted exploration company with more than 75% of its production in gas. The company is developing sizable farm-in opportunities that will establish it in multiple core areas in the future.

Case Resources Inc. (CAZ - CDNX)

Case Resources is managed by the experienced team from Stampeder Explorations Ltd. Case's management team has impressed the markets not only with significant production (1,779 boe/day), but also with a strong balance sheet. Case has cut its debt by more than 50% and increased its cash flow by more than 1,800% to \$3.8 million year over year.

Cequel Energy Inc. (CQL - TSX)

Since January of 2002, Cequel's management team, which formerly led Cyprus Energy, has increased production from 1,000 barrels of energy per day to approximately 10,400 boe/day. In the coming year, Cequel plans to add an exploitation and exploration phase to its growth profile.

Clear Energy Inc. (CEN – TSX)

Clear's management team and board include several of the original founders of Vermilion, as well as a handpicked team of experienced geologists and geophysicists. Clear has no debt and about \$23 million of cash on hand from a private placement done coincident with a recent restructuring. Clear has 268,000 net undeveloped acres of land, with 15 drilling locations in inventory, a land base normally associated with a company three to four times larger, and a significant advantage for a junior company. The Fund's Investment Advisors believe that with the expertise of a proven management team, Clear Energy is positioned very well, especially as a junior E&P.

Crescent Point Energy Ltd. (CPGa – CDNX)

Crescent Point has had an excellent year and is poised to continue that trend. Fiscal year-end (March 31, 2003) production was approximately 4,800 boe/day, an increase of 53% over the previous quarter. The Fund's Investment Advisors believe Crescent Point, with its clean balance sheet and a portfolio of visible opportunity, will continue to grow at a consistent rate in the coming year.

Impact Energy Inc. (IEY – TSX)

Impact's near term focus is developing and expanding its existing exploration asset base, which includes approximately 130,000 net acres of undeveloped land focused in the gas rich, deeper western portion of the western Canadian Sedimentary Basin in Alberta, northeastern British Columbia, and Montana. Impact has a very strong technical management team.

Ketch Resources Limited (KER – TSX)

With continued growth, Ketch's production in the first quarter of fiscal 2003 reached 3,180 boe/day, with an additional 600 boe/day waiting to be tied-in. Ketch's prospect inventories are even more promising. The company has 60 locations, 36 on their own lands and the remainder on option properties.

Ranchgate Energy Inc. (ROG – TSX)

Ranchgate is a Calgary-based junior oil and gas exploration and production company with principal properties located in East Central Alberta and West Central Saskatchewan. Kelly Ogle, Ranchgate's Chief Executive Officer, has an excellent track record for growing new businesses.

Rival Energy Inc. (RVG – CDNX)

Rival is a junior oil company capitalized to explore for oil and gas in Western Canada and to seek complementary property or corporate acquisition opportunities. Rival, with a one-third interest, is participating with operator and two-thirds owner Storm Energy, in a 3D seismic exploration program in a 23 square mile tract in the Red Earth area north-central Alberta. The companies plan to drill two to three wells over the next six months.

Tempest Energy Corp. (TMY – CDNX)

Tempest, which is led by the former management team of Tier 1 Energy Corp., continues to grow and to impress. Production has grown by more than 300% over last year, from 600 to more than 3,000 boe/day. The Tempest team continues to expand its prospects for natural gas and light oil through the drill bit. The company's senior management is directly invested through ownership of 24% of the outstanding shares.

Terraquest Energy Corporation (TRQ – TSX)

Terraquest has an undeveloped land base of 83,000 net acres. At March 31, 2003, Terraquest's production of 1,100 boe/day was up 140% year over year. 86% of production is natural gas.



Front Street Energy Growth Fund offers Canadian investors a unique opportunity to invest in the next round of substantial growth in energy production and related service companies.



The Fund's objective is to achieve maximum capital appreciation by investing in small and medium-sized companies with strong growth prospects.

Private Companies

Anderson Energy Ltd.

Anderson is managed by the same highly successful management team that built Anderson Exploration and has the ability to conclude promising deals. Although quiet after raising \$80 million in its first financing, the Fund's Investment Advisors anticipate developments in the near future. Anderson drilled more than 25 wells in fiscal 2003 and the majority of its growth will come from the drill bit.

Cinch Energy Corp.

Cinch was founded by John W. Elick, former Vice President of Land of Pan East Petroleum Corp. Cinch's mandate is to explore for large reserves via farm-ins.

DT Energy Limited

In fiscal 2003, DT Energy began to exploit the large gas asset it acquired from Encana late in 2002. DT has a full complement of production/exploitation opportunities, along with a portfolio of high-risk high-reward opportunities.

Fairbourne Energy Limited

Fairbourne's founder, Dr. Richard Walls, has a successful three-decade record in Canada's oil and gas industry, building and selling four profitable businesses in that time. The Fund quickly acted on the opportunity to back Dr. Walls again. Fairbourne currently has no debt and plans to build through the drill bit.

OPTI Canada Inc.

OPTI was established in 1999 to commercialize the OrCrude upgrading process and to develop integrated bitumen and heavy oil projects. OPTI has an exclusive license to use the OrCrude process in Canada and, with Nexen, a 50 per cent interest in the proposed integrated Long Lake oil sands project, a \$2.3 billion in-situ oil sands project slated for operation in 2005.

Profico Energy Management Ltd.

Profico is led by Clayton Wiotas, Renaissance Energy's former CEO, who has done an exceptional job expanding the company's land base, primarily in Southern Saskatchewan. As of March 31, 2003, Profico's production has grown from start-up to approximately 12,000 boe/day and the company has built its undeveloped land base to more than 900,000 net acres.

Management's Discussion and Analysis

Market Review

The Canadian oil and gas sector continues to be an exciting investment area. Supply and demand fundamentals continue to drive new production and growth opportunities in the junior oil and gas segment. In the United States, government leaders regularly comment on the low supply and production situation among U.S. natural gas companies, and look to Canada to help offset production shortfalls.

Both the Canadian and U.S. economies are making tentative steps towards recovery, which will lead to strong energy demand.

Asset Mix as at March 31, 2003

Public Companies \$12,039,751 - 56%

Private Companies \$9,352,958 - 44%

Portfolio Valuation

The Fund's net asset value per share grew from its initial price of \$10 on March 1, 2002 to \$12.84 on March 31, 2003, based on Series I.

Outlook

Front Street Capital Inc., Manager of Front Street Energy Growth Fund, is confident that growth will continue in the energy sector. Economic and industrial factors point towards a round of growth in Canada's oil and gas industry to rival the early 1990s.

In future, the Fund will seek out new investment opportunities in quality Canadian energy and related companies with a number of specific characteristics, including a stage of development that permits an acquisition or initial public offering within two years, a strong and experienced management team and a definitive competitive advantage.

We remain very positive about the prospects of the Fund in the upcoming years.

Economic and industrial factors point towards a round of growth in Canada's oil and gas industry to rival the early 1990s.



Auditors' Report

To the Shareholders of Front Street Energy Growth Fund Inc.

We have audited the statement of venture investment portfolio as at March 31, 2003 and the statements of financial position of Front Street Energy Growth Fund Inc. (formerly Tuscarora Energy Growth Fund Inc.) (the "Fund") as at March 31, 2003 and 2002 and the statements of income and retained earnings and of changes in net assets for the year ended March 31, 2003 and for the period since incorporation, November 1, 2001, to March 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and 2002 and the results of its operations and the changes in its net assets for the year ended March 31, 2003 and for the period since incorporation, November 1, 2001, to March 31, 2002 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario
June 6, 2003

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Energy Growth Fund Inc. (formerly Tuscarora Energy Growth Fund Inc.) are the responsibility of management. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles using management's best estimates and judgments, where appropriate.

Management has established a system of internal accounting and administrative controls to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that financial records are properly maintained for the preparation of reliable financial statements.

The Board of Directors discharges its responsibility for the financial statements primarily through its Audit Committee, which comprises members of the Board of Directors. The Audit Committee meets with management and with the external auditors to discuss the results of the audit examination with respect to the adequacy of internal accounting controls and to review the financial statements of the Fund. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. These financial statements have been approved by the Board of Directors and have been audited by Deloitte & Touche LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Deloitte & Touche LLP has full and unrestricted access to the Audit Committee.


Gary Selke
Chief Executive Officer


Frank Portugais
Chief Financial Officer

Statements of Financial Position

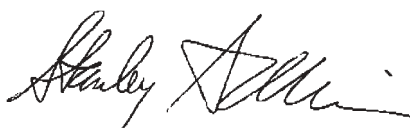
As at March 31, 2003
(with comparative figures as at March 31, 2002)

	2003	2002
ASSETS		
Cash	\$ 4,477,297	\$ 6,287,081
Venture investments, at fair value (cost: \$15,880,022; 2002: \$4,955,000)	21,392,709	7,738,750
Subscriptions receivable	29,712	120,225
Prepaid expenses	6,750	-
Deferred charges, net of accumulated amortization of \$157,722 (March 31, 2002: \$13,122) (Note 3)	1,382,901	989,096
TOTAL ASSETS	27,289,369	15,135,152
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	577,970	469,440
Provision for performance bonus and related GST (Note 5(c))	1,277,580	369,150
TOTAL LIABILITIES	1,855,550	838,590
NET ASSETS	\$ 25,433,819	\$ 14,296,562
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	\$ 22,377,067	\$ 13,108,997
Retained earnings	3,056,752	1,187,565
TOTAL SHAREHOLDERS' EQUITY	\$ 25,433,819	\$ 14,296,562
Number of Class A shares outstanding, Series I	1,162,465	833,242
Number of Class A shares outstanding, Series II	616,045	453,115
Number of Class A shares outstanding, Series III	249,782	-
Net asset value per share, Class A - Series I	\$ 12.73	\$ 11.20
Net asset value per share, Class A - Series II	\$ 12.45	\$ 10.96
Net asset value per share, Class A - Series III	\$ 11.85	\$ -

See accompanying notes.

On behalf of the Board


Director


Director

FRONT STREET ENERGY GROWTH FUND INC.
(formerly Tuscarora Energy Growth Fund Inc.)

Statements of Income and Retained Earnings

For the year ended March 31, 2003

(with comparative figures for the period since incorporation, November 1, 2001, to March 31, 2002)

	2003	2002
INTEREST AND OTHER REVENUES	\$ 13,186	\$ 564
EXPENSES		
Administrative	71,377	12,576
Amortization of deferred charges (Note 3)	42,142	4,058
Clearing and settlement, and back office fees (Note 5(a))	217,294	68,141
Directors' and meeting fees (Note 5(e))	17,750	8,705
Goods and Services Tax (GST)	133,435	65,397
Insurance	6,750	-
Investment advisor fees (Notes 5(b) and 7(b))	348,527	27,753
Increase in provision for performance bonus and related GST (Note 5(c))	908,430	369,150
Performance bonus (Notes 5(c) and 7(b))	372,619	-
Management fees (Notes 5(a) and 7(a))	174,263	13,877
Marketing and printing (Note 5(a))	396,878	784,711
Professional fees (Note 5(a))	155,081	204,959
Service (trail) fees (Note 3(d))	29,754	2,329
Shareholder communications	11,946	-
Sponsor's fees (Notes 5(d) and 7(c))	59,924	4,163
Tax on capital	15,771	-
	2,961,941	1,565,819
NET INVESTMENT LOSS	(2,948,755)	(1,565,255)
CHANGE IN UNREALIZED APPRECIATION OF VENTURE INVESTMENTS	2,728,937	2,783,750
REALIZED GAINS ON DISPOSITION OF VENTURE INVESTMENTS (Note 8)	2,318,868	-
NET INCOME	\$ 2,099,050	\$ 1,218,495
NET INCOME PER CLASS A SHARE, SERIES I	\$ 1.41	\$ 1.44*
NET INCOME PER CLASS A SHARE, SERIES II	\$ 1.40	\$ 1.44*
NET INCOME PER CLASS A SHARE, SERIES III	\$ 1.46	\$ -
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 1,187,565	\$ -
NET INCOME	2,099,050	1,218,495
PREMIUM ON REDEMPTION OF CLASS A SHARES (Note 4(d))	(127,406)	(21,866)
AMORTIZATION OF DEFERRED CHARGES (Note 3(a))	(102,457)	(9,064)
RETAINED EARNINGS, END OF PERIOD	\$ 3,056,752	\$ 1,187,565

* For the 5-month period ended March 31, 2002, from the date of the initial issuance of both Series I and Series II

See accompanying notes.

FRONT STREET ENERGY GROWTH FUND INC.
(formerly Tuscarora Energy Growth Fund Inc.)

Statements of Changes in Net Assets

For the year ended March 31, 2003

(with comparative figures for the period since incorporation, November 1, 2001, to March 31, 2002)

	2003	2002
CHANGES DURING THE PERIOD		
Investment activities		
Net income	\$ 2,099,050	\$ 1,218,495
Capital transactions		
Proceeds on issuance of Class A Shares, Series I	4,520,243	8,523,401
Proceeds on issuance of Class A Shares, Series II	2,430,022	4,692,973
Proceeds on issuance of Class A Shares, Series III	3,220,638	-
Redemption of Class A Shares, Series I	(407,621)	(129,343)
Redemption of Class A Shares, Series II	(445,153)	-
Redemption of Class A Shares, Series III	(177,465)	-
Proceeds on issuance of Class B shares	-	100
Amortization of deferred charges related to Class A Shares issued	(102,457)	(9,064)
	9,038,207	13,078,067
INCREASE IN NET ASSETS	11,137,257	14,296,562
NET ASSETS, BEGINNING OF PERIOD	14,296,562	-
NET ASSETS, END OF PERIOD	\$ 25,433,819	\$ 14,296,562

See accompanying notes.

FRONT STREET ENERGY GROWTH FUND INC.
(formerly Tuscarora Energy Growth Fund Inc.)

Statement of Venture Investment Portfolio

As at March 31, 2003

	Cost	Fair Value
SHARES AND WARRANTS IN PUBLICLY-TRADED		
COMPANIES (HAVING QUOTED MARKET VALUES)		
Atlas Energy Limited (491,600 common shares, restricted)	\$ 1,401,060	\$ 1,474,800
Case Resources Inc. (716,667 common shares)	215,000	523,167
Cequel Energy Inc. (300,000 common shares)	660,000	1,725,000
Clear Energy Inc. (714,285 common shares, restricted)	1,999,998	1,964,284
Crescent Point Energy Ltd. (271,000 special warrants)	596,200	1,449,850
Impact Energy Inc. (800,000 common shares)	1,280,000	1,088,000
Ketch Resources Limited (325,000 special warrants)	1,072,500	1,550,250
Ranchgate Energy Inc. (300,000 common shares)	195,000	330,000
Rival Energy Inc. (459,000 common shares)	504,900	413,100
Tempest Energy Corp. (256,500 common shares)	1,000,350	1,333,800
Terraquest Energy Corporation (750,000 common shares)	375,000	187,500
	9,300,008	12,039,751
SHARES AND WARRANTS IN PRIVATE		
COMPANIES (NOT HAVING QUOTED MARKET VALUES)		
Anderson Energy Ltd. (333,333 Class "B" shares)	999,999	999,999
Cinch Energy Corp. (700,000 special warrants)	280,000	525,000
DT Energy Limited (4,000,000 special warrants)	2,000,000	3,200,000
Fairborne Energy Limited (650,000 common shares)	1,300,000	2,275,000
OPTI Canada Inc. (68,966 Class "C" shares)	1,000,007	1,000,007
Profico Energy Management Ltd. (58,824 common shares)	1,000,008	1,352,952
	6,580,014	9,352,958
TOTAL VENTURE INVESTMENTS	\$ 15,880,022	\$ 21,392,709
UNREALIZED APPRECIATION OF VENTURE INVESTMENTS		\$ 5,512,687

See accompanying notes.

Notes to Financial Statements

March 31, 2003 and 2002

1. CORPORATE STATUS, ACTIVITIES AND CHANGE OF NAME

Front Street Energy Growth Fund Inc. (the "Fund") was incorporated under the laws of Canada by Articles of Incorporation dated November 1, 2001, originally under the name of Tuscarora Energy Growth Fund Inc. The Fund is a registered labour-sponsored venture capital corporation under the Income Tax Act (Canada) (the "Federal Act"). The Fund is subject to certain investment restrictions under the Federal Act. In addition, the Fund has adopted certain other investment restrictions.

The Fund's investment objective is to achieve maximum capital appreciation by investing in small and medium-sized eligible business entities in a range of energy-related industries. These industries include oil and gas exploration and production, servicing and drilling, and alternative energy-related projects including fuel cell, power generation and wind power projects.

The Fund commenced active operations on March 1, 2002, on the initial issuance of its Class A shares, Series I and II. During the current year, the Fund began offering its Series III shares.

The sponsor of the Fund is The Newspaper Guild of Canada/Communications Workers of America (the "Sponsor").

On October 23, 2002, the Fund obtained Articles of Amendment and legally changed its name to Front Street Energy Growth Fund Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

(a) *Venture investments*

Venture investments in securities having quoted market values and which are publicly traded on a recognized stock exchange, and are not otherwise restricted or thinly traded securities, are valued based on the closing quoted market price.

Venture investments in securities not having quoted market values or in restricted or thinly traded securities are valued at cost, unless a different fair value is independently determined by the Investment Advisor.

The Fund's valuation methodology is described in detail in its annual prospectus ("Valuation of Investments").

(b) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. The process of valuing investments for which no public market exists is inevitably based on inherent uncertainties, and the resulting values may differ from those that would have been used had a ready market existed for the investments. Management believes its estimates to be appropriate; however, actual results could vary materially from those estimates.

(c) *Provision for performance bonus*

As reported in Note 5(c), Front Street Investment Management Inc. (formerly Tuscarora Investment Management Inc. and hereinafter referred to as the "Investment Advisor") is entitled to a performance bonus, which is payable by the Fund on the realization of gains on venture investments and dependent upon other criteria. As at the date of the financial statements, the amount payable, if any, is recorded as a liability and charged to operations in the period that liability is due.

In addition, the Fund records a provision for the amount of performance bonus that might otherwise become payable at a future date, based on the:

- i) unrealized appreciation in the Fund's eligible investments; and
- ii) other realized gains attributable to dispositions of eligible investments that were not yet payable to the Investment Advisor in accordance with the prerequisite conditions related to the payment of a liability for a performance bonus on realized gains.

The Fund charges that provision to operations in the period in which the appreciation of the eligible investments and the other realized gains are recognized for accounting purposes. Notwithstanding the recognition of such a provision in these financial statements, no legal liability exists for the payment of that provision and the Goods and Services Taxes ("GST") provided thereon. The amount eventually paid at a future date may differ materially from the provision,

Notes to Financial Statements (continued)

March 31, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

depending primarily on the variances between the market value of the eligible investments as at the date of the financial statements and the price at which the eligible investments might eventually be sold.

3. DEFERRED CHARGES AND SERVICE FEES

- (a) Deferred charges represent initial sales commissions at the rate of 6%, which are payable to dealers by the Fund on the issuance of Series I and II Class A shares. Such sales commissions are amortized by the Fund using the straight-line method, over a period of eight years from the date of issuance of such shares. The Fund charges the amortization of the 6% deferred sales commissions to retained earnings.
- (b) On the issuance of Class A, Series I shares, an additional initial sales commission is calculated at the rate of 4% and is payable to dealers by the Fund in lieu of the annual service (trail) fees otherwise payable to dealers before the eighth anniversary of issue of the Class A, Series I shares. The Fund amortizes the additional 4% deferred sales commissions on Class A, Series I shares on a straight-line basis over a period of eight years from the date of issuance of such shares. The Fund charges the amortization of this 4% deferred sales commissions to operations.
- (c) Holders of Series I and II Class A Shares, who redeem their shares prior to eighth anniversary of the date of issuance thereof, are charged an early redemption fee. The early redemption fee is applied first against the remaining unamortized deferred charges related to such redeemed shares, with any resulting gain or loss included in operations in the period in which redemption occurs.
- (d) Service (trail) fees, attributable to Class A, Series II shares, are calculated at the annual rate of 0.50%. Such fees attributable to Class A, Series III shares are calculated at the annual rate of 1.25%. The aggregate of such fees are charged to operations in the year incurred.

4. SHARE CAPITAL

(a) Authorized

Unlimited number of Class A shares, voting and participating, issuable in series and only to individuals and qualifying trusts at \$10 per share until March 1, 2002 and continuously thereafter at the net asset value per share, redeemable and transferable with restrictions. The holders of these shares are entitled to elect one of the seven directors of the Fund.

Unlimited number of Class B shares issuable only to the Sponsor of the Fund, or such other organizations, entities or persons as are permitted under the Federal Act to hold Class B Shares. The holders of these shares are entitled to elect six of the seven directors of the Fund.

(b) Fees on redemption of Class A shares

Subject to certain restrictions, a shareholder may redeem all or part of the Class A shares held at the net asset value per Class A share.

For the Class A shares, Series I, a redemption fee is charged in the amount of up to 10% of the original issue price, calculated as being 1.25% of the original issue price times the number of years or part years remaining until the eighth anniversary of the date of issue.

For the Class A shares, Series II, a redemption fee is charged in the amount of up to 6% of the original issue price, calculated as being 0.75% of the original issue price times the number of years or part years remaining until the eighth anniversary of the date of issue.

Notes to Financial Statements (continued)

March 31, 2003 and 2002

4. SHARE CAPITAL (continued)

(c) Summary of shares issued and redeemed for cash

On November 1, 2001, the Fund issued 100 Class B shares for aggregate cash consideration of \$100.

The following table represents the issuance and redemption of Class A shares for the 5-month period ended March 31, 2002 and for the year ended March 31, 2003. The amounts attributed to the redemption of Class A shares of any Series are calculated using the weighted-average stated capital value of the shares redeemed.

	SERIES I		SERIES II		SERIES III		TOTAL
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	
Period ended March 31, 2002							
Issued	843,942	\$ 8,523,401	453,115	\$ 4,692,973	-	\$ -	\$ 13,216,374
Redeemed	(10,700)	(107,477)	-	-	-	-	(107,477)
Balance, March 31, 2002	833,242	8,415,924	453,115	4,692,973	-	-	13,108,897
Year ended March 31, 2003							
Issued	363,628	4,520,243	199,113	2,430,022	263,615	3,220,638	10,170,903
Redeemed	(34,405)	(353,728)	(36,183)	(384,277)	(13,833)	(164,828)	(902,833)
Balance, March 31, 2003	1,162,465	\$12,582,439	616,045	\$6,738,718	249,782	\$3,055,810	\$22,376,967

(d) Premium on redemption of Class A shares

During the year ended March 31, 2003, the following premiums on the redemption of Class A shares were paid:

- (i) the premium on the 34,405 Series I shares were redeemed at the relevant net asset value on the date of redemption was \$53,893 (5-month period ended March 31, 2002: premium on redemption of 10,700 shares was \$21,866);
- (ii) the premium on the 36,183 Series II shares redeemed at the relevant net asset value on the date of redemption was \$60,875; and
- (iii) the premium on the 13,833 Series III shares redeemed at the relevant net asset value on the date of redemption was \$12,638.

The aggregate premium paid on the redemption of all Series of Class A shares was the amount of \$127,406, and was charged to retained earnings (5-month period ended March 31, 2002: aggregate premium of \$21,866).

5. EXPENSES

(a) Fund Manager

The Fund has entered into an agreement (the "Management Agreement") with Front Street Capital Inc. (the "Manager") to manage the business and affairs of the Fund. The Manager will be paid fees, calculated and paid monthly in arrears, consisting of an annual management fee of (i) 1% of the net asset value of the Fund plus (ii) one-third per year for each of the first three years of the Fund, of the aggregate amount advanced from Front Street Capital partnership pursuant to a funding agreement to establish the Fund (the "Additional Expense").

The liability for the Additional Expense shall continue to be repaid to the Manager until the later of February 28, 2005 and when the advance has been fully repaid. During the 5-month period ended March 31, 2002, the Additional Expense, in the amount of \$183,705, was charged to operations to the following expense items: Marketing and printing (\$134,902), Clearing and settlement, and back office fees (\$15,045), and Professional fees (\$33,758).

(b) Investment Advisor

The Fund has retained Front Street Investment Management Inc. to provide advice on and manage the Fund's investments. The Fund will pay fees, calculated and paid monthly in arrears, consisting of an annual investment advisory fee of 2% of the net asset value of the Fund.

Notes to Financial Statements (continued)

March 31, 2003 and 2002

5. EXPENSES (continued)

(c) Performance Bonus

In addition, the Investment Advisor will be entitled to a performance bonus (the "Performance Bonus") based on realized gains and cumulative performance of the eligible investments. Such investments represent those made in eligible businesses as defined by the Federal Act and exclude liquid investments.

Before any Performance Bonus is paid by the Fund on the realization of an investment, the eligible investments must have:

- (i) earned sufficient income to generate a rate of return on eligible investments in excess of a cumulative annualized threshold return of 6%. The income on eligible investments includes investment gains and losses (realized and unrealized) earned and incurred since the inception of the Fund;
- (ii) earned income from eligible investments which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and
- (iii) fully recouped an amount equal to all principal invested in eligible investments.

Subject to all of the above, the Performance Bonus will be an amount equal to the lesser of (i) 20% of all income earned from the eligible investment, and (ii) the portion of the amount calculated in (i) that does not reduce returns to shareholders on the investment portfolio below a cumulative annualized threshold return of 6%.

Realized gains and losses on the partial disposition of eligible investments are included with the realized gains and losses on the total disposition of eligible investments and form part of the calculation for the determination of the Performance Bonus liability as at any date, only if the Fund has recovered (from all dispositions of that eligible investment on a cumulative basis) an amount equal to at least the full amount of the principal invested in the entire eligible investment. Otherwise, the portion of the Performance Bonus attributable to realized gains and losses on partial dispositions (for which the full amount of the principal invested in the entire eligible investment has not been recovered on a cumulative basis) is included by the Fund with the Provision for Performance Bonus.

For the year ended March 31, 2003, the Fund has charged to operations a Performance Bonus expense in the amount of \$372,619 (for the 5-month period ended March 31, 2002: \$NIL). As at March 31, 2003, the liability for a Performance Bonus in the amount of \$183,795 is included in accounts payable and accrued liabilities (March 31, 2002: \$NIL). As at March 31, 2003, the balance sheet also reflects a Provision for Performance Bonus and related GST in the amount of \$1,277,580 (March 31, 2002: \$369,150), which consists of the following:

	2003	2002
Provision for performance bonus	\$1,194,000	\$345,000
GST related thereto, at 7%	83,580	24,150
	<u>\$1,277,580</u>	<u>\$369,150</u>

(d) Sponsor

The Sponsor is entitled to an annual fee of 0.30% of the net asset value of the Fund, calculated and charged monthly in arrears.

(e) Directors

External directors are entitled to a basic annual fee of \$5,000 each, plus certain meeting fees.

Notes to Financial Statements (continued)

March 31, 2003 and 2002

6. INCOME AND OTHER TAXES

Under the Federal Act, no income taxes are payable by the Fund on dividends received from Canadian corporations. In addition, income taxes payable on capital gains will be fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. Income taxes payable on investment income earned by the Fund will be partially refundable upon the payment or deemed payment of dividends by the Fund. The Fund will record the refundable portion of its income taxes as an asset, as it intends to recover all of its refundable income taxes through the payment or deemed payment of dividends to its shareholders.

As at March 31, 2003, the Fund has accumulated non-capital losses in the amount of approximately \$2,332,000, which is being carried forward and is available to reduce taxable income in future years. The potential income tax benefit related to this loss has not been recognized in the financial statements. The non-capital losses expire at the end of the following taxation years:

Expiration	
2009	\$1,158,000
2010	\$1,174,000

The Fund has no capital losses.

The Federal Act sets minimum levels of qualifying eligible investments required to be made by the Fund. If the Fund were to fail to meet required minimum level of qualifying venture investments, the Fund would be subject to prescribed taxes and penalties.

7. RELATED PARTY TRANSACTIONS

The nature of the relationships between the Fund and its Manager, its Investment Advisor and its Sponsor has been reported in Notes 5(a), 5(b), 5(c) and 5(d) respectively. The transactions occurring in the period between the Fund and these related parties are as follows:

- (a) Management fees payable to the Manager, in the amount of \$174,263 have been charged to operations for the year (5 months ended March 31, 2002: \$13,877). As at March 31, 2003, the Management fees payable in the amount of \$16,194 (2002: \$13,877) are included in accounts payable and accrued liabilities.
- (b) Investment Advisor's fees payable to the Investment Advisor, in the amount of \$348,527 have been charged to operations for the year (5 months ended March 31, 2002: \$27,753). As at March 31, 2003, the Investment Advisor's fees payable in the amount of \$14,525 (2002: \$27,753) are included in accounts payable and accrued liabilities.

In addition, for the year ended March 31, 2003, the Fund has charged a Performance Bonus expense in the amount of \$372,619 to operations (2002: \$NIL). Such Performance Bonus is payable to the Investment Advisor under the terms described in Note 5(c). As at March 31, 2003, a liability for Performance Bonus fees in the amount of \$183,795 is included in accounts payable and accrued liabilities (March 31, 2002: \$NIL).

- (c) Sponsor's fees payable to the Sponsor, in the amount of \$59,924 have been charged to operations (5 months ended March 31, 2002: \$4,163). As at March 31, 2003, the Sponsor's fees payable in the amount of \$6,441 (2002: \$4,163) are included in accounts payable and accrued liabilities.

During the year ended March 31, 2003, the Fund issued 43,258 Class A, Series III shares (5-month period ended March 31, 2002: 107,500 Class A, Series I shares) for cash, based on the initial offering price or the net asset value on the date of issuance, as the case may be, to certain directors of the Manager and the Investment Advisor and their immediate families.

Notes to Financial Statements (continued)

March 31, 2003 and 2002

8. REALIZED GAINS ON DISPOSITION OF VENTURE INVESTMENTS

	2003	2002
Cost of venture investments, beginning of period	\$ 4,955,000	\$ -
Cost of venture investments, acquired during the period	15,061,522	4,955,000
	20,016,522	4,955,000
Cost of venture investments, end of period	15,880,022	4,955,000
Cost of venture investments dispositions	4,136,500	-
Proceeds from disposition of venture investments	6,455,368	-
	\$ 2,318,868	\$ -

9. MANAGEMENT EXPENSE RATIO

For the year ended March 31, 2003, the net expenses for all Series of Class A shares of the Fund, including GST and the amortization of deferred charges, as a percentage of the average net assets value of the Fund was 17.4% (five-month period ended March 31, 2002: 53.7%). The components of the management expense ratio were as follows:

	2003	2002
Investment advisor's fees	2.0%	2.0%
Manager's fees	1.0%	1.0%
Sponsor's fees	0.3%	0.3%
Marketing, printing and professional fees	3.2%	29.5%*
Performance bonus expense	2.1%	- %
Increase in provision for performance bonus and related GST	5.2%	10.3%*
Other expenses	3.6%	10.6%
	17.4%	53.7%

* not annualized

10. COMPARATIVE FIGURES

The Fund was incorporated on November 1, 2001 and commenced its operations on March 1, 2002, concurrent with the issuance of its initial Class A shares. Comparative figures presented in these financial statements represent those reported for the Fund's prior fiscal period-end, being the five-month period ended March 31, 2002.

Certain comparative figures have been reclassified to conform to the current year's presentation.

11. STATEMENT OF PORTFOLIO TRANSACTIONS

The Fund will provide, without charge, a statement of portfolio transactions (unaudited) upon request by any shareholder to the Fund at 87 Front Street, Suite 400, Toronto, ON, M5E 1B8.

Board of Directors

Gary P. Selke

TORONTO, ONTARIO

Chief Executive Officer of the Fund

Chief Executive Officer of Front Street Capital

Arnold Amber ⁽¹⁾

TORONTO, ONTARIO

Executive Producer with CBC Television News

Gordon Holder ⁽²⁾

OTTAWA, ONTARIO

Writer and Copy Editor, The Ottawa Citizen

Jan Ravensbergen ⁽²⁾

MONTREAL, QUEBEC

Financial and Business Journalist, The Gazette, Montreal

James A. Hutton ⁽¹⁾

WEST VANCOUVER, BRITISH COLUMBIA

President, Canada Dominion Resources Group

Stanley Archdekin ⁽¹⁾

TORONTO, ONTARIO

Chairman, Centerfire Capital Corporation

Graham Turner ⁽²⁾

TORONTO, ONTARIO

Partner, Fraser Milner Casgrain LLP

(1) Member of the Audit Committee/Valuation Committee

(2) Member of the Investment Committee

The Fund's Manager – Front Street Capital

Front Street Capital, the manager of the Front Street Energy Growth Fund, is a focused and dedicated alternative asset class management firm, built and owned by experienced, respected portfolio managers who tailor funds and partnerships to both capitalize on their expertise and experience and to meet the needs of sophisticated investors.

Front Street Capital has developed a suite of investment products, which include performance funds, mutual funds, limited partnerships and trusts. Front Street Capital also provides investment management and advisory services to institutional clients. Front Street Capital manages 14 funds with assets under administration in excess of \$500 million.

Front Street Capital's partners include Canadian investment industry veterans Norm Lamarche, Frank Mersch, Gary Selke, Linda Hryma and David Conway.

Corporate Information

Front Street Energy Growth Fund

Front Street Energy Growth Fund (formerly Tuscarora Energy Growth Fund) was incorporated under the Canada Business Corporations Act by Articles of Incorporation dated November 1, 2001. Front Street Energy Growth Fund is sponsored by The Newspaper Guild of Canada/ Communications Workers of America and is a registered labour-sponsored venture capital corporation under the Income Tax Act (Canada).

Address

87 Front Street East, Suite 400, Toronto, Ontario M5E 1B8

Phone: 416-364-1990

Toll free: 1-800-513-2832

Fax: 416-364-8893

Email: advisorservice@frontstreetcapital.com

Website: www.frontstreetcapital.com

Fund codes

FSC100 (Series I)

FSC101 (Series II)

FSC102 (Series III)

Manager

Front Street Capital Inc.

Investment Advisor

Front Street Investment Management Inc.

Sponsor

The Newspaper Guild of Canada/ Communications Workers of America

Auditors

Deloitte & Touche LLP

Legal counsel

Fraser Milner Casgrain LLP

Custodian

CIBC Mellon

Administrator

Unisen – a wholly-owned subsidiary of AGF (Registrar and transfer agency, responsible for recordkeeping, shareholder reporting, transaction processing and general administration.)

Annual Meeting of Shareholders

The annual meeting of shareholders will be held at 10:00 am, September 18, 2003 at 100 King Street West, Suite 3900, Toronto, ON M5X 1B2.



THE RIGHT TIME
THE RIGHT TEAM
THE RIGHT FUND