



CRESTSTREET

# Excellence

in Flow-through Investing



Semi Annual Report 2004

Creststreet Resource Fund Limited

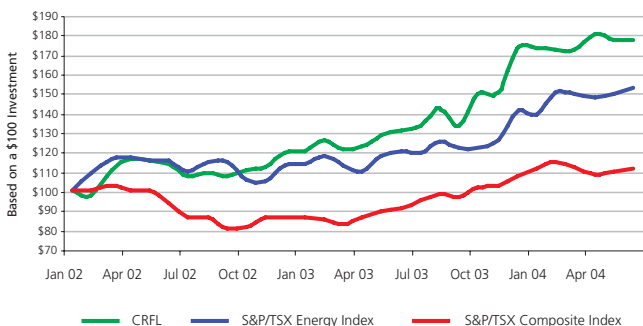
## Dear Mutual Fund Shareholder

We are pleased to present the June 30, 2004 interim report for the Creststreet Resource Fund Limited (the "Fund").

As of August 6, 2004 the net asset value of the Fund was \$13.44 per share.

### Relative Performance to the S&P/TSX and S&P/TSX Energy Indices

(January 31, 2002 – June 30, 2004)



The Fund's investment portfolio continues to be strongly weighted to Canadian natural gas producers. We expect strong demand for natural gas due to an improving economic climate in North America combined with an increasingly constrained supply will lead to higher natural gas prices in North America for the foreseeable future. With the Fund's solid portfolio of high quality natural gas producers, the Fund is extremely well positioned to continue to outperform the market for its shareholders.

The Fund has been structured to provide for the tax-deferred transfer of assets from flow-through limited partnerships managed by Creststreet in exchange for shares of the Fund with an equal net asset value. To date four partnerships have rolled their investment portfolios into the Fund. In January 2002, Creststreet 2000 Limited Partnership completed the exchange of its assets for shares of the Fund followed in January 2003, by Creststreet 2001 Limited Partnership and Creststreet 2001 (II) Limited Partnership and in January 2004 by Creststreet 2002 Limited Partnership.

Creststreet is planning several new investment fund offerings for the Fall of 2004. Creststreet will ensure that you and your investment advisor are informed of these investment opportunities when they are available.

We encourage you to visit our website at [www.creststreet.com](http://www.creststreet.com) for timely updates on your investments with Creststreet and details on new investment fund offerings.

Respectfully submitted,



Robert J. Toole  
*Managing Director*

August 25, 2004

## Statement of Net Assets

As at June 30, 2004 and December 31, 2003

|   | (Unaudited)<br>June 30,<br>2004 | (Audited)<br>December 31,<br>2003 |
|---|---------------------------------|-----------------------------------|
| <b>Assets:</b>                            |                                 |                                   |
| Investments at Market Value               | \$ 29,348,909                   | \$ 17,717,619                     |
| Cash and Cash Equivalents                 | 2,588,623                       | 1,396,520                         |
| Interest Receivable                       | 4,300                           | 3,659                             |
|   | \$ 31,941,832                   | \$ 19,117,798                     |
| <b>Liabilities:</b>                       |                                 |                                   |
| Accounts Payable and Accrued Liabilities  | 209,809                         | 118,622                           |
| Redemptions Payable                       | 151,211                         | 4,880                             |
|   | 361,020                         | 123,502                           |
| <b>Net Assets</b>                         | <b>\$ 31,580,812</b>            | <b>\$ 18,994,296</b>              |
| <b>Shares Outstanding</b>                 | <b>2,337,239</b>                | <b>1,226,249</b>                  |
| <b>Net Asset Value Per Share (Note 6)</b> | <b>\$ 13.51</b>                 | <b>\$ 15.49</b>                   |

## Statement of Changes in Net Assets

For the Periods ended June 30, 2004 and 2003


|  | (Unaudited)<br>June 30,<br>2004 | (Unaudited)<br>June 30,<br>2003 |
|--|---------------------------------|---------------------------------|
| Net Increase in Net Assets               |                                 |                                 |
| Resulting from Operations                | \$ 283,670                      | \$ 2,214,217                    |
| <b>Dividends to Shareholders:</b>        |                                 |                                 |
| Capital gain dividend (Note 6)           | (7,889,334)                     | (2,083,968)                     |
| <b>Share Capital Transactions:</b>       |                                 |                                 |
| Proceeds from issue of shares            | 36,608,912                      | 29,607,240                      |
| Reinvested Dividends (Note 6)            | 7,889,334                       | 2,083,968                       |
| Redemptions                              | (24,306,066)                    | (16,583,984)                    |
|  | 20,192,180                      | 15,107,224                      |
| <b>Net Increase in Net Assets</b>        | <b>\$ 12,586,516</b>            | <b>\$ 15,237,473</b>            |
| <b>Net Assets at Beginning of Period</b> | <b>18,994,296</b>               | <b>3,674,180</b>                |
| <b>Net Assets at End of Period</b>       | <b>\$ 31,580,812</b>            | <b>\$ 18,911,653</b>            |

See accompanying notes to financial statements

Approved by Creststreet Resource Fund Limited



Director



Director

## Statement of Operations

For the Periods ended June 30, 2004 and 2003

|   | (Unaudited)<br>June 30,<br>2004 | (Unaudited)<br>June 30,<br>2003 |
|---|---------------------------------|---------------------------------|
| <b>Investment Income:</b>   |                                 |                                 |
| Interest Income   | \$ 107,829                      | \$ 94,262                       |
| Dividend Income   | –                               | 56,597                          |
|   | 107,829                         | 150,859                         |
| <b>Expenses:</b>  |                                 |                                 |
| Management Fees (Note 4)  | 493,326                         | 308,635                         |
| Legal and Filing Fees   | 143,502                         | 150,888                         |
| Transfer Agent and Custodian Fee                                  | 130,483                         | 124,155                         |
| Service Fees  | 112,810                         | 75,184                          |
| Operating Expenses  | 50,358                          | 30,423                          |
| Shareholder Reporting   | 2,500                           | 2,000                           |
|   | 932,979                         | 691,285                         |
| Net Loss  | (825,150)                       | (540,426)                       |
| <b>Realized and Unrealized Gain<br/>on Investments:</b>           |                                 |                                 |
| Proceeds of Investments Sold                                      | 34,238,251                      | 22,007,703                      |
| Cost of Investments at<br>Beginning of Period                     | 13,462,214                      | 2,788,122                       |
| Purchases of Investments<br>During the Period                     | 44,760,720                      | 32,233,140                      |
| Cost of Investments at End of Period                              | (25,584,997)                    | (15,127,060)                    |
| Cost of Investments Sold  | 32,637,937                      | 19,894,202                      |
| Net Realized Gain on Sale of Investments                          | 1,600,314                       | 2,113,501                       |
| Change in Unrealized Appreciation/<br>Depreciation of Investments | (491,494)                       | 641,142                         |
| Net Gain on Investments   | 1,108,820                       | 2,754,643                       |
| <b>Net Increase in Net Assets<br/>Resulting from Operations</b>   |                                 |                                 |
|   | <b>\$ 283,670</b>               | <b>\$ 2,214,217</b>             |

See accompanying notes to financial statements

## Statement of Financial Highlights

For the Periods ended June 30, 2004 and 2003

|   | (Unaudited)<br>June 30,<br>2004 | (Unaudited)<br>June 30,<br>2003 |
|---|---------------------------------|---------------------------------|
| <b>Data per Share</b>                     |                                 |                                 |
| Net Asset Value at Beginning of Period    | \$ 15.49                        | \$ 11.37                        |
| Net Asset Value at End of Period          | \$ 13.51                        | \$ 11.72                        |
| Capital Gain Dividend                     | \$ 2.31                         | \$ 0.73                         |
| <b>Ratio/Supplemental Data</b>            |                                 |                                 |
| Net Assets – End of Period (\$ millions)  | \$ 31.58                        | \$ 18.91                        |
| Weighted Average Net Assets (\$ millions) | \$ 47.35                        | \$ 28.78                        |
| Management Expense Ratio (MER)            | 3.95%                           | 4.81%                           |
| Portfolio Turnover Rate                   | 22.24%                          | 18.25%                          |
| Annual Rate of Return                     | 2.50%                           | 9.54%                           |

*See accompanying notes to financial statements*

## Statement of Investment Portfolio

As at June 30, 2004

(Unaudited)

| Description                           | Number of Shares | Cost                 | Market Value         |
|---------------------------------------|------------------|----------------------|----------------------|
| Real Resources Inc.                   | 363,700          | \$ 1,984,918         | \$ 2,709,565         |
| Compton Petroleum Corporation         | 350,000          | 2,286,888            | 2,625,000            |
| Progress Energy Ltd.                  | 164,400          | 1,787,604            | 2,442,984            |
| Ketch Resources Ltd.                  | 200,000          | 1,763,482            | 2,300,000            |
| Tempest Energy Corp.                  | 400,213          | 2,215,661            | 1,981,054            |
| Delphi Energy Corp.                   | 1,062,500        | 1,976,250            | 1,965,625            |
| Hawker Resources Inc.                 | 357,100          | 1,858,780            | 1,803,355            |
| Mount Copper Wind Power Energy Inc.   | 843,900          | 1,340,000            | 1,687,800            |
| Fairborne Energy Ltd.                 | 150,000          | 1,042,545            | 1,537,500            |
| High Point Resources Inc.             | 890,550          | 1,833,447            | 1,487,219            |
| Starpoint Energy Ltd.                 | 292,014          | 1,059,536            | 1,241,060            |
| Celtic Exploration Ltd.               | 125,000          | 493,795              | 968,750              |
| E3 Energy Inc.                        | 619,434          | 1,046,843            | 966,317              |
| West Energy Ltd.                      | 500,000          | 500,000              | 875,000              |
| Clear Energy Inc.                     | 225,000          | 793,170              | 787,500              |
| Devlan Exploration Ltd.               | 200,000          | 478,403              | 592,000              |
| True Energy Inc.                      | 300,000          | 281,818              | 546,000              |
| Tesoro Energy Corp., Special Warrants | 3,704,000        | 500,085              | 537,080              |
| Triloch Resources Inc.                | 210,000          | 462,045              | 525,000              |
| Crew Energy Inc.                      | 100,000          | 535,046              | 520,000              |
| Lightning Energy Ltd.                 | 125,000          | 662,546              | 517,500              |
| Timing Energy Inc.                    | 500,000          | 500,045              | 500,000              |
| Chamaelo Energy Inc.                  | 38,000           | 152,045              | 178,600              |
| Accrete Energy Inc.                   | 30,000           | 30,045               | 54,000               |
| <b>Total Investment Portfolio</b>     |                  | <b>\$ 25,584,997</b> | <b>\$ 29,348,909</b> |

See accompanying notes to financial statements

## Notes to Financial Statements

For the periods ended June 30, 2004 and 2003.

(Unaudited)

### 1. Creststreet Resource Fund Limited

CRESTSTREET RESOURCE FUND LIMITED (the "Fund") is a mutual fund incorporated under the Canada Business Corporations Act and is registered to carry on business under the name of Creststreet Resource Fund Limited. The Fund's investment objective is the long-term growth of capital through investment in equity, some debt securities and derivative products. Creststreet Asset Management Limited (the "Manager") is the Manager of the Fund. The fund has commenced with the transfer of multiple Limited Partnership assets in exchange for shares of the fund as described in the table below.

| Date             | Partnership  | Net Assets Transferred | Mutual Fund/<br>Limited Partnership<br>Unit ratio     |
|------------------|--|------------------------|---|
| January 15, 2002 | Creststreet 2000 Limited Partnership   | \$7,286,890            | 0.728689  |
| January 17, 2003 | Creststreet 2001 Limited Partnership and Creststreet 2001 (II) Limited Partnership | \$29,607,260           | 2001<br>– 0.7380438067<br>2001 (II)<br>– 0.8170036810 |
| January 23, 2004 | Creststreet 2002 Limited Partnership   | \$36,608,912           | 0.66047562  |

Upon the above transfers, the Partnerships were dissolved at which time the net assets were allocated 99.99% to the Limited Partners and 0.01% to the General Partner.

## 2. Basis of Presentation

The interim period consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles. The preparation of the financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual statements. These interim period financial statements do not include all the disclosures required by generally accepted accounting principles and accordingly should be read together with the audited annual financial statements and the accompanying notes included in the Fund's 2003 Annual Report.

## 3. Statement of Financial Highlights

The information disclosed in these statements is calculated as follows:

- Net asset value per Security is computed by dividing the net asset value of the Fund by the total number of Securities outstanding, as at the beginning or end of the period.
- Weighted average net assets during the period is calculated as the average of the monthly net asset value of the Fund for each valuation day during the period.
- Management expense ratio (the "MER") is calculated based on the total management expenses of the Fund, as a percentage of the weighted average net assets of the Fund for the period ended June 30, 2004. This MER is inclusive of the Goods and Services Tax ("GST") in accordance with National Instrument 81-102.
- Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding securities with maturity dates at acquisition of one year or less, divided by the weighted average net assets.
- The annual rate of return represents the historical annual return on an investment for the period, assuming reinvestment

of all distributions, at net asset value. For periods less than one year, the total return has been calculated based on the period presented.

#### **4. Management Fee and Operating Expenses**

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a fee equal to 2.0% per annum of the net value of the Fund, calculated and payable monthly in arrears. In the six months ended June 30, 2004 the management fee amounted to \$493,326 (\$308,635 in 2003). The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business.

#### **5. Brokerage Commissions**

Brokerage commissions paid during the six months ended June 30, 2004 amounted to \$313,819 (\$176,598 in 2003).

#### **6. Dividends to Shareholders**

On February 27, 2004, the Fund paid a capital gain dividend totaling \$7,889,334 (\$2,083,968 in 2003) or \$2.3054 per share (\$0.7344 per share in 2003) to Resource Class shareholders of record as at February 27, 2004. The dividend reduced the net asset value per share by \$2.3054 and was automatically reinvested in additional Resource Class shares leaving the total value of a shareholder's investment unchanged.

#### **7. Statement of Portfolio Transactions**

An unaudited Statement of Portfolio Transactions for the six months ended June 30, 2004 will be provided, without charge, by contacting:

Creststreet Resource Fund Limited  
c/o Creststreet Asset Management Limited  
Suite 1450, 70 University Avenue  
Toronto, Ontario M5J 2M4

#### **8. Redemption of Securities**

Securities of the Fund may be redeemed at the Net Asset Value per Share next determined after receipt of a redemption request at the registered office of the Fund or its Transfer Agent.

Requests received before 4:00 p.m. EST on a valuation day will receive the Net Asset Value per Share on that valuation day.

Redemption requests received after 4:00 p.m. EST will receive the Net Asset Value per Share on the next valuation day.

Redemption requests may be provided electronically or in written form, provided that all documentation is in good order and has been signature guaranteed as necessary. Appropriate signature guarantors include Canadian Chartered Banks and Trust Companies, a Dealer, a member of a recognized Stock Exchange in Canada or any Guarantor acceptable to the Fund.

### **Directors of the General Partner**

John P. A. Budreski  
*Managing Director*  
Scotia Capital Inc.

Larry J. Macdonald  
*Chairman*  
Point Energy Inc.

Robert J. Toole  
*Managing Director*  
Creststreet Asset Management Limited

### **Officers**

Robert J. Toole, President  
Donna Shea, Vice-President, Finance  
Sheryl Chiddenton, Secretary Treasurer

### **Legal Counsel**

McCarthy Tétrault LLP, Toronto, Ontario  
Fasken Martineau DuMoulin LLP, Toronto, Ontario

### **Auditors**

KPMG LLP, Toronto, Ontario

### **Transfer Agent & Registrar**

International Financial Data Services (Canada) Limited

### **Custodian**

National Bank Correspondent Network

### **Clearing & Settlement Services**

FundSERV Inc.

### **Fund Symbols**

CAM 100 and CAM 102

### **Registered Address**

Creststreet Resource Fund Limited  
c/o Creststreet Asset Management Limited  
Suite 1450, 70 University Avenue  
Toronto, Ontario M5J 2M4

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