



FINANCIAL STATEMENTS

DECEMBER 31, 2005

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AUDITORS' REPORT

To the Unitholders of
Front Street Mining Opportunities Fund

We have audited the statements of investment portfolio and net assets of **Front Street Mining Opportunities Fund** (the "Fund") as at December 31, 2005 and the statements of operations and changes in net assets for the period from the date of the inception of the Fund on January 5, 2005 to December 31, 2005. These financial statements are the responsibility of the manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 December 31, 2005 and the results of its operations and changes in its net assets for the period from the date of the inception of the Fund on January 5, 2005 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
February 24, 2006

"SEGAL LLP"
Chartered Accountants



FRONT STREET MINING OPPORTUNITIES FUND

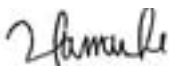
STATEMENTS OF NET ASSETS

AS AT DECEMBER 31, 2005

	\$
Assets	
Investments, at current value	46,789,808
Subscriptions receivable	764,750
Accrued dividends receivable	20,628
	<u>47,575,186</u>
Liabilities	
Bank indebtedness	536,504
Accounts payable and accrued liabilities	1,010,163
Performance fees payable	3,746,245
Obligations from securities sold short, at current value	1,210
Redemptions payable	97,599
	<u>5,391,721</u>
Net assets representing unitholders' equity	<u>42,183,465</u>
Number of units outstanding (note 3)	<u>2,820,278</u>
Net asset value per unit	<u>14.96</u>
Investments, at cost	<u>36,089,214</u>

See accompanying notes to financial statements.

Approved on behalf of Front Street Capital 2004, the Fund Manager:


Normand G. Lamarche


Gary P. Selke



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF OPERATIONS

FOR THE PERIOD FROM THE DATE OF THE INCEPTION OF THE FUND ON
JANUARY 5, 2005 TO DECEMBER 31, 2005

	\$
Investment income	
Dividend income	101,288
Interest income	66,768
	<hr/> 168,056
Expenses	
Performance fees	3,746,245
Management fees	511,100
Legal fees	62,870
Operating costs	53,847
Audit fees	24,001
Custody fees	11,999
Trustee fees	10,000
Interest	8,964
	<hr/> 4,429,026
Net investment loss	<hr/> (4,260,970)
Net realized gain on sale of investments	4,700,202
Net increase in net assets from operations for the period	<hr/> 439,232

See accompanying notes to financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE PERIOD FROM THE DATE OF THE INCEPTION OF THE FUND ON
JANUARY 5, 2005 TO DECEMBER 31, 2005

	\$
Net increase in net assets from operations for the period	439,232
Add (deduct):	
Capital contributions	32,136,631
Redemptions	(1,076,904)
Related organization costs	(14,878)
	31,044,849
Unrealized appreciation on investments	10,699,384
Net assets, end of period	42,183,465

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND
STATEMENT OF PORTFOLIO INVESTMENTS
AS AT DECEMBER 31, 2005

	Number of Shares / Units	Cost \$	Market Value \$	Percentage of Net Assets %
Canadian Equities				
Energy				
International Sovereign Energy Corporation	135,000	405,000	675,000	1.60
NEMI Northern Energy & Mining Inc.	225,000	488,250	339,750	0.81
Norwood Resources Limited	691,666	1,031,012	829,999	1.97
Norwood Resources Limited Warrants	333,333	–	–	–
		1,924,262	1,844,749	4.38
Minerals				
African Gold Group Inc.	224,000	280,000	380,800	0.90
Alhambra Resources Limited	910,000	500,500	728,000	1.73
Alhambra Resources Limited Warrants	455,000	–	22,750	0.05
Amergio Resources Limited	429,200	765,982	1,004,328	2.38
Asia Gold Corporation	600,000	511,500	738,000	1.75
Atna Resources Limited	250,000	409,350	487,500	1.16
Atna Resources Limited Special Warrants	500,000	675,000	897,000	2.13
Aur Resources Inc.	113,000	739,452	1,331,140	3.16
Bema Gold Corporation	250,000	866,925	842,500	2.00
Blackstone Ventures Inc.	250,000	103,750	102,500	0.24
Bolivar Gold Corporation	6,700	18,894	19,631	0.05
Breakwater Resources Limited	1,384,200	917,386	941,256	2.23
Capstone Gold Corporation Restricted	750,000	712,500	807,300	1.91
Capstone Gold Corporation Warrants	750,000	–	1	–
Crowflight Minerals Inc.	2,000,000	554,400	430,000	1.02
Desert Sun Mining Corporation	300,000	778,800	858,000	2.03
East Asia Minerals Corporation	169,300	224,289	186,230	0.44
Entree Gold Inc.	100,000	122,130	173,000	0.41
Eurozinc Mining Corporation	640,000	574,186	819,200	1.94
First Quantum Minerals Limited	25,000	817,000	931,250	2.21
Gabriel Resources Limited	174,100	407,354	494,444	1.17
GBS Gold International Inc. Restricted	700,000	1,050,000	1,559,040	3.70
GBS Gold International Inc. Warrants	350,000	–	287,000	0.68
Goldcorp Inc.	15,000	256,673	388,500	0.92
Guyana Goldfields Inc.	174,800	442,380	681,720	1.62
HudBay Minerals Inc.	76,800	225,623	452,352	1.07
Inco Limited	20,000	992,522	1,010,000	2.39
Inmet Mining Corporation	30,000	523,089	885,000	2.10

FRONT STREET MINING OPPORTUNITIES FUND
STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D)
AS AT DECEMBER 31, 2005

	Number of Shares / Units	Cost \$	Market Value \$	Percentage of Net Assets %
Canadian Equities (cont'd)				
Minerals (cont'd)				
Ivanhoe Mines Limited	50,000	461,270	417,500	0.99
Laramide Resources Limited Restricted	125,000	312,500	673,750	1.60
Laramide Resources Limited Warrants	62,500	–	140,625	0.33
LionOre Mining International Limited	365,400	2,330,518	1,808,730	4.29
Lundin Mining Corporation	1,800	18,729	30,330	0.07
Major Drilling Group International Inc.	47,100	700,848	828,489	1.96
Miranda Gold Corporation	400,000	280,000	584,000	1.38
Miranda Gold Corporation Restricted	450,000	405,000	630,720	1.50
Miranda Gold Corporation Warrants	625,000	–	293,750	0.70
Northgate Minerals Corporation	125,900	234,174	268,167	0.64
Peru Copper Inc.	387,700	509,242	1,252,271	2.97
Red Back Mining Inc.	793,200	1,697,638	2,165,436	5.13
Revett Minerals Inc.	900,000	900,000	675,000	1.60
Rio Narcea Gold Mines Limited	505,900	1,157,867	809,440	1.92
Rubicon Minerals Corporation	800,000	520,000	800,000	1.90
Rubicon Minerals Corporation Warrants	400,000	–	60,000	0.14
Seabridge Gold Inc.	100,000	352,000	1,101,000	2.61
SEMAFO Inc.	200,000	269,550	396,000	0.94
Sherritt International Corporation	147,100	1,490,002	1,485,710	3.52
Shore Gold Inc.	20,100	86,098	154,368	0.37
Silver Wheaton Corporation	50,000	151,000	337,500	0.80
St. Jude Resources Limited	285,300	604,927	547,776	1.30
Stornoway Diamond Corporation	291,100	334,425	305,655	0.72
Sunridge Gold Corporation	50,000	51,485	67,500	0.16
Sunridge Gold Corporation Restricted	400,000	260,000	518,400	1.23
Sunridge Gold Corporation Warrants	200,000	–	90,000	0.21
UEX Corporation	100,000	179,350	452,000	1.07
Uranium Power Corporation	100,000	45,440	32,000	0.08
Virginia Gold Mines Inc.	100,000	1,059,200	1,165,000	2.76
Western Prospector Group Limited	200,000	669,124	1,000,000	2.37
Wolfden Resources Inc.	250,000	626,250	925,000	2.19
Yamana Gold Inc.	100,000	500,000	770,000	1.83
		29,676,322	38,244,559	90.67



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D)

AS AT DECEMBER 31, 2005

	Number of Shares / Units	Cost \$	Market Value \$	Percentage of Net Assets %
U.S. Equities				
High Plains Uranium Inc.	1,200,000	604,200	852,000	2.02
International Royalty Corporation	400,000	1,769,000	1,400,000	3.32
		2,373,200	2,252,000	5.34
Bermuda				
Katanga Mining Limited Restricted	750,000	937,500	2,880,000	6.83
Cayman Islands				
Brazmin Corporation	750,000	937,500	1,312,500	3.11
Brazmin Corporation Warrants	375,000	–	150,000	0.36
		937,500	1,462,500	3.47
United Kingdom				
Oriel Resources PLC	200,000	242,020	106,000	0.25
		36,090,804	46,789,808	110.94
Canadian Short Sales				
Materials				
Dynatec Corporation	(1,000)	(1,590)	(1,210)	–
Total Investments		<u>36,089,214</u>	46,788,598	110.94
Other assets less liabilities			<u>(4,605,133)</u>	<u>(10.94)</u>
Net assets			<u>42,183,465</u>	<u>100.00</u>

See accompanying notes to financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. ESTABLISHMENT OF TRUST

Front Street Mining Opportunities Fund (the “Fund”) is an investment trust created under the laws of the Province of Ontario pursuant to a trust agreement dated January 5, 2005 (the “Trust Agreement”). HSBC Trust Company (Canada), a trust company incorporated under the laws of Canada, which is authorized under the laws of the Province of Ontario to carry on the business of a trust company, is the trustee of the Fund (the “Trustee”). Front Street Capital 2004 (the “Manager”) is responsible for providing or arranging for provision of administrative services required by the Fund.

The Fund’s investment objective is to provide holders of Units (“Unitholders”) with long-term growth through capital appreciation by investing primarily in a diversified portfolio (the “Portfolio”) of common shares and common share equivalents of Canadian companies engaged in natural resource industries such as mining and minerals and precious metals. The Fund will also invest in speculative securities of junior issuers and early-stage companies in these sectors. The Fund may invest in companies and machinery and equipment manufacturers, and may invest up to 10% of its assets directly in commodities such as gold, silver, platinum and palladium in the form of bullion, coins, receipts, certificates or permitted gold certificates.

The Fund is not a “mutual fund” that is a reporting issuer or equivalent for security purposes. As a result, the protections provided to investors in mutual funds that are reporting issuers or equivalent under such laws are not available to investors in the Units.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reported period. The following is a summary of the significant accounting policies followed by the Fund:

(a) **Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) **Valuation of investments**

Investments listed on an exchange are valued at the latest sale price reported by the principal securities exchange on which the issue is traded or, lacking any sales, at the closing bid prices. The difference between this amount and cost is shown as unrealized appreciation of investments. Securities for which reliable quotations are not readily available are valued at fair value, as determined in good faith and pursuant to procedures established by the Manager.

Short-term investments are valued at amortized cost which approximates market value.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Valuation of investments (cont'd)

Trust units are recorded at the closing bid price reported by the principal securities exchange in which the issue is traded. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by annual income allocated to the units by the trust.

Securities which are sold short are recorded at the last trade price or closing offer price reported by the principal securities exchange on which the issue is traded. The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the market value of the security. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer. On each day the short position is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealized gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security is recorded. While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

(c) Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

(d) Income taxes

The Fund presently qualifies as a "unit trust" under the *Income Tax Act* (Canada) (the "Tax Act") and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes except for minimum taxes that may be exigible on the untaxed portion of realized capital gains. Foreign income received is subject to foreign withholding taxes.

(e) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

(f) Organization costs

Organization costs related to the initial issue of units, such as the agent's fees and promotion costs have been charged against equity, since they are considered to be capital transactions.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

3. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of Units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains.

Subject to the Fund's right to suspend redemptions, units held by a Unitholder for a minimum period of six months may be surrendered not less than 30 days prior to the last business day of each month for redemption. Units so surrendered for redemption by the Unitholder to the Manager will be redeemed for a price equal to the Net Asset Value per Unit as at the close of business on the redemption date.

The following unit transactions took place during the year:

	2004
<hr/>	
Balance, beginning of year	—
Issued	2,906,310
Redeemed	<u>(86,032)</u>
Balance, end of year	<u>2,820,278</u>

4. INVESTMENT MANAGEMENT AND OTHER FEES

Management fees

A management fee of 2.0% per annum, based on the weekly Net Asset Value calculations, is payable within ten business days after the end of each month. Management fees are payable to the Manager.

Performance fees

A performance bonus is paid to the Manager based on the Fund's annual performance. The performance bonus is calculated and accrued monthly as 20% of the Fund performance in excess of a minimum performance as specifically defined in the Fund's Trust Agreement.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

5. EXPENSES

The Manager may pay out of the property of the Fund (“Trust Property”) all expenses relating to the operation of the Fund and the carrying on of its business. These expenses may include management fees, performance bonus, bookkeeping, legal, audit, trustee, registrar and transfer agency, custodial and safekeeping fees, taxes, brokerage commissions, advertising costs, interest, operating and administrative costs, Unitholder servicing costs, and costs of financial and other reports that are used in complying with the laws, regulations and policies regulating the issue or sale of Units.

6. RELATED PARTY TRANSACTIONS

625,000 of the units outstanding at year end having a cost of \$6,250,000 are held directly by the partners of Front Street Capital 2004.

96,032 of the units outstanding at year end having a cost of \$960,316 are held by relatives of the partners of Front Street Capital 2004.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

7. DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

8. BROKERAGE COMMISSIONS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended December 31, 2005 was \$298,608.

9. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager’s willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement which have not been delegated to the Fund’s investment advisor.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

10. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of investments, at current value, subscriptions receivable, accrued dividends receivable, bank indebtedness, accounts payable and accrued liabilities, performance fees payable, obligations from securities sold short and redemptions payable. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

11. CREDIT RISK MANAGEMENT

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Since investments are recorded at current value, the maximum credit exposure is reflected in the statement of net assets.



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