



FRONT STREET
*Mining
Opportunities
Fund*



FINANCIAL STATEMENTS

JUNE 30, 2006

A FRONT STREET CAPITAL MUTUAL FUND

CONTENTS

Statements of Net Assets	2
Statements of Operations	3
Statements of Changes in Net Assets	4
Statement of Portfolio Investments	5
Notes to Financial Statements	8



FINANCIAL STATEMENTS

FRONT STREET MINING OPPORTUNITIES FUND

JUNE 30, 2006

The auditor of the Fund has not reviewed the attached financial statements.

Front Street Capital appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The auditor of the Fund has not performed a review of these interim financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2006 (UNAUDITED) AND DECEMBER 31 (AUDITED)

	June 30, 2006	December 31, 2005
	\$	\$
Assets		
Cash and short-term instruments	4,570,327	—
Investments, at current value	58,299,530	46,789,808
Margin deposit	—	—
Subscriptions receivable	—	764,750
Accrued dividends and interest receivable	35,778	20,628
	<u>62,905,635</u>	<u>47,575,186</u>
Liabilities		
Bank indebtedness	—	536,504
Accounts payable and accrued liabilities	170,214	1,010,163
Performance fees payable	3,282,976	3,746,245
Obligation from securities sold short, at current value	1,183,200	1,210
Redemptions payable	—	97,599
	<u>4,636,390</u>	<u>5,391,721</u>
Net assets representing unitholders' equity	<u>58,269,245</u>	<u>42,183,465</u>
Number of units outstanding [note 3]	<u>3,089,563</u>	<u>2,820,278</u>
Net asset value per unit	<u>18.86</u>	<u>14.96</u>
Investments, at cost	<u>45,609,651</u>	<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
Managing General Partner

Gary P. Selke
Management Committee Member



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)

	2006	2005
	\$	\$
Investment income		
Dividends	688,099	40,818
Interest	73,243	48,687
	761,342	89,505
Expenses		
Performance fees	3,282,976	—
Management fees	584,474	200,213
Legal fees	10,755	14,750
Operating costs	51,978	35,015
Audit fees	10,755	11,881
Custody fees	5,379	5,939
Trustee fees	5,000	5,000
Interest	24,216	967
	3,975,533	273,765
Less: Expenses absorbed by the Manager	—	—
	3,975,533	273,765
Net investment loss	(3,214,191)	(184,260)
Net realized gain on sale of investments	13,504,003	1,414,913
Net increase in net assets from operations for the period	10,289,812	1,230,653

See accompanying notes to financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)

	2006	2005
	\$	\$
Net assets, beginning of period	42,183,465	–
Net increase in net assets from operations for the period	10,289,812	1,230,653
Add (deduct):		
Capital contributions	7,817,496	24,833,058
Redemptions	(2,828,823)	–
Reinvestment of distributions	–	–
	4,988,673	24,833,058
Unrealized appreciation (depreciation) on investments	807,295	(2,048,556)
Net assets, end of period	58,269,245	24,015,155

See accompanying notes to financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF PORTFOLIO INVESTMENTS

AS AT JUNE 30, 2006 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Market Value \$	% of Net Assets
CANADIAN EQUITIES				
Energy				
Crescent Resources Corporation	115,000	68,678	34,788	0.06
International Sovereign Energy Corporation	135,000	405,000	297,000	0.51
NEMI Northern Energy & Mining Inc.	225,000	488,250	247,500	0.42
Norwood Resources Limited	691,666	1,031,011	816,166	1.40
Norwood Resources Limited Warrants	333,333	–	–	–
Virgin Resources Limited	615,385	400,000	400,000	0.69
		2,392,939	1,795,454	3.08
Materials				
African Gold Group Inc.	224,000	280,000	369,600	0.64
Alexco Resource Corporation	130,000	325,000	387,400	0.66
Alhambra Resources Limited	910,000	500,500	2,047,500	3.51
Alhambra Resources Limited Warrants	455,000	–	682,500	1.17
Amerigo Resources Limited	829,200	1,717,852	1,898,868	3.26
Ashton Mining of Canada Inc.	66,900	89,439	73,590	0.13
Asia Gold Corporation	600,000	511,500	1,440,000	2.47
Atna Resources Limited	400,000	540,000	508,000	0.87
Augusta Resource Corporation	302,200	821,984	528,850	0.91
Aur Resources Inc.	113,000	739,452	2,011,400	3.45
Aurora Energy Resources Inc.	347,500	1,251,000	1,386,525	2.38
Barrick Gold Corporation	15,000	521,538	494,550	0.85
Breakwater Resources Limited	484,200	320,907	600,408	1.03
Canadian Gold Hunter Corporation	555,500	499,950	638,825	1.10
Capstone Mining Corporation	1,400,000	1,645,000	2,492,000	4.28
Chariot Resources Limited	2,450,000	1,067,250	1,274,000	2.19
Crowflight Minerals Inc.	2,000,000	554,400	540,000	0.93
Dynatec Corporation	800,000	1,144,000	1,080,000	1.85
East Asia Minerals Corporation	169,300	224,289	105,813	0.18
Entree Gold Inc.	382,700	956,660	401,835	0.69
Eurozinc Mining Corporation	260,000	233,263	699,400	1.20
First Quantum Minerals Limited	11,980	451,519	599,479	1.03
Fortuna Silver Mines Inc. Restricted	705,000	1,057,500	1,153,803	1.98
Fortuna Silver Mines Inc. Warrants	352,500	–	–	–
Gabriel Resources Limited	174,100	407,354	503,149	0.86
GBS Gold International Inc.	700,000	1,050,000	1,225,000	2.10



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D)

AS AT JUNE 30, 2006 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Market Value \$	% of Net Assets
CANADIAN EQUITIES (cont'd)				
Materials (cont'd)				
GBS Gold International Inc. Warrants	350,000	–	87,500	0.15
Global Alumina Corporation	1,039,200	2,075,429	1,620,729	2.78
Goldcorp Inc.	40,000	996,852	1,346,000	2.31
Great Basin Gold Limited	200,000	470,380	384,000	0.66
Guyana Goldfields Inc.	174,800	442,380	1,407,140	2.41
Ivanhoe Mines Limited	130,500	1,226,440	986,580	1.69
Laramide Resources Limited Warrants	62,500	–	167,500	0.29
LionOre Mining International Limited	465,400	2,925,378	2,820,324	4.84
Major Drilling Group International Inc.	47,100	700,848	1,051,272	1.80
Minefinders Corporation Limited	121,400	1,066,848	1,103,526	1.89
Miranda Gold Corporation	600,000	483,529	828,000	1.42
Miranda Gold Corporation Warrants	625,000	–	243,750	0.42
Nevsun Resources Limited	1,100	2,387	3,531	0.01
Northern Star Mining Corporation Restricted	750,000	825,000	834,766	1.43
Northern Star Mining Corporation Warrants	375,000	–	–	–
Peregrine Diamonds Limited	200,000	744,420	620,000	1.06
Red Back Mining Inc.	893,200	1,979,638	3,117,268	5.35
Revelt Minerals Inc.	1,100,000	1,092,000	1,364,000	2.34
Rio Narcea Gold Mines Limited	505,900	1,157,867	1,107,921	1.90
Roca Mines Inc. Restricted	2,400,000	960,000	1,505,280	2.58
Rolling Rock Resources Corporation	323,900	372,528	259,120	0.44
Rolling Rock Resources Corporation Restricted	225,000	166,500	169,200	0.29
Rolling Rock Resources Corporation Warrants	112,500	–	–	–
Rubicon Minerals Corporation	800,000	520,000	1,112,000	1.91
Rubicon Minerals Corporation Warrants	400,000	–	216,000	0.37
Sabina Silver Corporation	200,000	302,000	252,000	0.43
Sherritt International Corporation	197,100	2,059,878	2,201,607	3.78
Silverstone Resources Corporation	500,000	625,000	475,000	0.82
Silverstone Resources Corporation Warrants	250,000	–	30,000	0.05
Skygold Ventures Limited Restricted	1,100,000	1,485,000	1,594,560	2.74
Skygold Ventures Limited Warrants	550,000	–	1	–
Southern Star Resources Inc. Restricted	80,000	260,000	332,416	0.57
Southern Star Resources Inc. Warrants	40,000	–	9,600	0.02
Stornoway Diamond Corporation	116,700	134,069	138,873	0.24
Sunridge Gold Corporation	400,000	276,876	768,000	1.32



FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D)

AS AT JUNE 30, 2006 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Market Value \$	% of Net Assets
CANADIAN EQUITIES (cont'd)				
Materials (cont'd)				
Sunridge Gold Corporation Warrants	200,000	—	204,000	0.35
Virginia Mines Inc.	50,000	135,965	202,500	0.35
Wallbridge Mining Company Limited	500,000	161,250	155,000	0.27
Western Prospector Group Limited	180,000	602,212	401,400	0.69
Wildcat Silver Corporation Restricted	200,000	56,000	190,000	0.33
Wolfden Resources Inc.	150,000	375,750	442,500	0.76
		41,592,781	52,895,359	90.78
Financials				
Comcorp Ventures Inc. Units	200,000	260,000	190,000	0.32
Comcorp Ventures Inc. Warrants	100,000	—	45,000	0.08
		260,000	235,000	0.40
U.S. Equities				
High Plains Uranium Inc.	775,400	390,414	674,598	1.16
International Royalty Corporation	400,000	1,769,000	1,792,000	3.07
		2,159,414	2,466,598	4.23
Cayman Islands				
BrazMin Corporation	437,281	546,601	760,869	1.31
BrazMin Corporation Warrants	375,000	—	146,250	0.25
		546,601	907,119	1.56
		46,951,735	58,299,530	100.05
CANADIAN SHORT SALES				
Materials				
Newmont Mining Corporation of Canada Limited Exchangeable Shares	(20,000)	(1,342,084)	(1,183,200)	(2.03)
Total investments		45,609,651	57,116,330	98.02
Other assets less liabilities			1,152,915	1.98
Net assets		45,609,651	58,269,245	100.00

See accompanying notes to financial statements.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 (UNAUDITED)

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 securities law 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. SUMMARY OF 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 the 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.



FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2006 (UNAUDITED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Trust units are recorded at the closing bid price reported by the principal securities exchange on 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)

JUNE 30, 2006 (UNAUDITED)

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 period:

	2006	2005
Balance, beginning of period	2,820,278	—
Issued	423,390	2,365,348
Redeemed	(154,105)	—
Balance, end of period	3,089,563	2,365,348

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)

JUNE 30, 2006 (UNAUDITED)

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

627,886 of the units outstanding at the period end having a cost of \$6,307,700 are held directly by the partners of Front Street Capital 2004.

97,458 of the units outstanding at the period end having a cost of \$1,107,700 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 securities transactions for the period ended June 30, 2006 was \$272,643 (2005 – \$144,424).

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)

JUNE 30, 2006 (UNAUDITED)

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.



FRONT STREET CAPITAL

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