



FRONT STREET
Mining Opportunities Fund

Interim Financial Statements of

**FRONT STREET MINING
OPPORTUNITIES FUND**

(Unaudited)

Six-month period ended June 30, 2007

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2007 (UNAUDITED) AND DECEMBER 31, 2006 (AUDITED)

	2007	2006
ASSETS		
Cash & short-term instruments	\$ 15,289,415	\$ —
Investments, at current value	76,418,046	80,744,903
Accounts receivable related to units issued	—	419,184
Accrued dividends receivable	35,162	5,913
	<u>91,742,623</u>	<u>81,170,000</u>
LIABILITIES		
Bank indebtedness	—	1,047,963
Accounts payable and accrued liabilities	249,739	221,922
Performance fees payable	4,712,291	7,061,484
Liability for units redeemed	—	591,479
	<u>4,962,030</u>	<u>8,922,848</u>
Net assets representing unitholders' equity	<u>\$ 86,780,593</u>	<u>\$ 72,247,152</u>
Number of units outstanding, note 3	<u>3,025,243</u>	<u>3,079,697</u>
Net asset value per unit	<u>\$ 28.69</u>	<u>\$ 23.46</u>
Investments, at cost	<u>\$ 49,364,156</u>	<u>\$ 54,434,142</u>

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



Normand G. Lamarche



Gary P. Selke

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)

	2007	2006
Investment income		
Dividend income	\$ 187,992	\$ 688,099
Interest income	47,340	73,243
	<u>235,332</u>	<u>761,342</u>
Expenses		
Performance fees, note 5	4,712,291	3,282,976
Management fees, note 5	845,958	584,474
Operating costs	67,767	51,978
Interest	128,473	24,216
Legal fees	10,848	10,755
Audit fees	10,848	10,755
Custody fees	5,425	5,379
Trustee fees	2,500	5,000
	<u>5,784,110</u>	<u>3,975,533</u>
Net investment loss	<u>(5,548,778)</u>	<u>(3,214,191)</u>
Net realized gain on sale of investments	<u>21,087,487</u>	<u>13,504,003</u>
Transaction costs	<u>(245,533)</u>	<u>—</u>
Net increase in net assets from operations for the period	<u>\$ 15,293,176</u>	<u>\$ 10,289,812</u>

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, 2007 AND 2006 (UNAUDITED)

	2007	2006
Net increase in net assets from operation for the period	<u>\$ 15,293,176</u>	<u>\$ 10,289,812</u>
Add (deduct):		
Capital contributions	4,274,009	7,817,496
Redemptions	<u>(5,564,399)</u>	<u>(2,828,823)</u>
	(1,290,390)	4,988,673
Unrealized gain on investments	<u>1,489,444</u>	<u>807,295</u>
Net increase in net assets for the period	15,492,230	16,085,780
Net assets, beginning of period	72,247,152	42,183,465
Change in accounting policy, note 2 (b)	<u>(958,789)</u>	<u>—</u>
	71,288,363	42,183,465
Net assets, end of period	<u><u>\$ 86,780,593</u></u>	<u><u>\$ 58,269,245</u></u>

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2007 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Market Value \$	Percentage of Net Asset %
CANADIAN EQUITIES				
Energy				
Crescent Resources Corporation	115,000	68,678	52,900	0.06
Southgobi Energy Resources	615,800	545,028	3,848,750	4.44
Virgin Resources Limited Private Placement	615,385	400,000	923,078	1.06
		1,013,706	4,824,728	5.56
Materials				
African Gold Group Inc.	224,000	280,000	268,800	0.32
Africo Resources Limited	74,005	153,928	152,450	0.18
Alexco Resource Corporation	112,000	280,000	582,400	0.67
Alhambra Resources Limited	1,365,000	841,750	1,774,500	2.04
Amerigo Resources Limited	629,200	1,303,513	1,749,177	2.02
Atna Resources Limited	400,000	540,000	552,000	0.64
Aurora Energy Resources Inc.	172,500	754,832	2,916,975	3.36
Buffalo Gold Limited	126,500	290,861	111,636	0.13
Buffalo Gold Limited	720,000	1,408,687	658,366	0.76
Buffalo Gold Limited Warrants	360,000	—	—	—
Canadian Gold Hunter Corporation	555,500	499,950	1,088,780	1.25
Capstone Mining Corporation	1,275,600	1,498,830	3,456,876	3.98
Chariot Resources Limited	2,502,533	1,110,578	2,827,862	3.26
Crowflight Minerals Inc.	1,000,000	277,200	930,000	1.07
Detour Gold Corporation	285,715	1,000,003	1,685,719	1.94
E-Energy Ventures Inc	1,185,000	361,425	314,025	0.36
East Asia Minerals Corporation	223,800	249,086	391,650	0.45
Entree Gold Inc.	642,100	1,549,789	1,637,355	1.89
Fortuna Silver Mines Inc.	505,000	757,500	1,626,100	1.87
Fortuna Silver Mines Inc. Warrants	352,500	—	482,925	0.56
GBS Gold International Inc. Warrants	350,000	—	409,500	0.47
GBS Gold International Inc.	500,000	750,000	1,335,000	1.54
Gabriel Resources Limited	174,100	407,354	828,716	0.95
Global Diamond Corporation Units	500,000	100,000	100,000	0.12
Gold Eagle Mines Limited	40,000	160,000	258,800	0.30
Goldcorp Inc.	40,000	996,852	1,008,000	1.16
Goldcrest Resources Limited	500,000	462,100	590,000	0.68
Great Basin Gold Limited	200,000	470,380	532,000	0.61
Guyana Goldfields Inc.	274,100	1,330,112	2,773,892	3.20
International Royalty Corporation	400,000	1,769,000	2,748,000	3.17
Lundin Mining Corporation	80,683	1,047,693	1,037,583	1.20
Medoro Resources Limited	1,000,000	1,135,300	830,000	0.96
Metalex Ventures Limited	555,500	256,919	222,200	0.26
Minefinders Corporation Limited	121,400	1,066,848	1,471,368	1.70
Miranda Gold Corporation	837,500	712,574	996,625	1.15

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF INVESTMENT PORTFOLIO (CONT'D) AS AT JUNE 30, 2007 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Market Value \$	Percentage of Net Asset %
Material (cont'd)				
Miranda Gold Corporation Warrants	225,000	—	9,000	0.01
Nevsun Resources Limited	250,000	750,000	652,500	0.75
Nevsun Resources Limited Warrants	125,000	—	—	—
New Gold Inc. - CW17	200,000	308,000	300,000	0.35
Northern Star Mining Corporation	750,000	825,000	825,000	0.95
Northern Star Mining Corporation Warrant	375,000	—	—	—
Paragon Minerals Corporation	133,333	33,279	78,666	0.09
Peregrine Diamonds Limited	400,100	1,038,545	636,159	0.73
Premier Gold Mines Limited	105,000	97,417	242,550	0.28
Red Back Mining Inc.	880,300	1,951,047	4,665,590	5.38
Revelt Minerals Inc.	2,811,400	3,054,488	3,148,768	3.63
Roca Mines Inc. Restricted	700,000	980,000	2,002,000	2.31
Roca Mines Inc. Warrants	700,000	—	427,000	0.49
Rolling Rock Resources Corporation	548,900	539,028	159,181	0.18
Rolling Rock Resources Corporation Warrants	112,500	—	—	—
Rubicon Minerals Corporation	284,200	118,225	539,980	0.62
Rubicon Minerals Corporation Warrants	400,000	—	535,559	0.62
Sabina Silver Corporation	200,000	302,000	520,000	0.60
Serengeti Resources Inc.	100,000	172,510	370,000	0.43
Sherritt International Corporation	197,100	2,059,878	2,879,631	3.32
Silver Wheaton Corporation	100,000	1,270,000	1,241,000	1.43
Silverstone Resources Corporation	665,900	969,875	1,698,045	1.96
Simberi Mining Corp. Warrants	2,625,000	—	3	—
Simberi Mining Corporation	5,250,000	525,000	367,500	0.42
Skygold Ventures Limited	1,100,000	1,485,000	1,551,000	1.79
Skygold Ventures Limited Warrants	550,000	—	1	—
Strategic Resource Acquisition Corporation	475,000	950,000	2,056,750	2.37
Sunridge Gold Corporation	760,000	939,084	1,535,200	1.77
Wallbridge Mining Company Limited	1,037,000	324,295	622,200	0.72
Western Prospector Group Limited	26,400	88,324	134,640	0.16
Wilcat Silver Corporation	500,000	366,000	250,000	0.29
Wilcat Silver Corporation Warrants	100,000	—	—	—
Zazu Metals Corporation Special Warrants	1,000,000	1,164,999	1,063,253	1.23
		44,135,058	66,860,456	77.05
Financials				
Valencia Ventures Inc. Restricted	4,000,000	2,000,000	2,342,400	2.70
U.S. Equities				
Vetana Gold Corporation	500,000	—	—	—
Bermuda				
Wexford Energy Limited. Private Placement	750,000	170,484	159,488	0.18

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND**STATEMENT OF INVESTMENT PORTFOLIO (CONT'D)
AS AT JUNE 30, 2007 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Market Value \$	Percentage of Net Asset %
Cayman Islands				
Talon Metals Corporation	437,281	546,601	550,974	0.63
Bonds				
New Gold Inc. Series D, 10.0%, June 28, 2017	2,000,000	1,692,000	1,680,000	1.94
Transaction costs		(193,693)	—	—
Total Investments		49,364,156	76,418,046	88.06
Other assets less liabilities			10,362,547	11.94
Net assets		49,364,156	86,780,593	100.00

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

1. ESTABLISHMENT OF TRUST

Front Street Mining Opportunities (the “Fund”) is an investment trust created under the laws of the Province of Ontario pursuant to a trust agreement dated January 3, 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 member of the Mutual Fund Dealers Association. As a result, the protections provided to investors in mutual funds, that are members subject to regulations of the association, are not available to investors in the Units.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). 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

The Canadian Institute of Chartered Accountants’ (CICA) Handbook Section 3855, Financial Instruments- Recognition and Measurement, which applies to the interim periods and fiscal periods beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid/ask price for the security. Prior to that, fair value for GAAP was based on the last traded price for the day, when available. For financial reporting purposes, starting from January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund on retroactive basis without restatement of prior periods.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

Accordingly, the opening net asset value in the Statements of Changes in Net Assets for the period ended June 30, 2007 has been adjusted. Since the Canadian Securities Administrators issued a waiver authorizing an extension for the enforcement of Section 3855 for the purposes of calculating the funds' net asset value for purposes other than financial reporting purchases and redemptions for example, a reconciliation between the Funds' net asset value for financial reporting ("GAAP NAV") and Funds net asset value for purposes other than financial reporting ("Transactional NAV") is given in note 4.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund be charged to net income in the period. Accordingly, transaction costs are expenses and are included in "Transaction costs" in the Statement of Operations. Until December 31, 2006, the Fund's policy has been to add these expenses to the cost of the securities purchased or deduct from proceeds of sale. Effective January 1, 2007, the Fund adopted the new accounting policy retroactively, without restatement of prior periods.

Accordingly, new valuation policies are as follows:

- (i) Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the valuation date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by, or under the supervision of, the Manager.
- (ii) Any investment for which a market quotation is not readily available ("private companies") shall be valued at cost, in the absence of any subsequent financing, or shall be valued at its fair value as determined by the Fund Manager.
- (iii) Investment which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) and(ii) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for investments.

- (iv) Securities which are sold short are recorded at the ask price reported by the principal securities exchange on which 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 buyer.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

On each day the short position is open, the liability for the obligation to replace the borrowed security is market-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) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

d) 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. Stock dividends are recorded in income based on the market value of the security.

e) Income taxes

The Fund presently qualifies as a "unit trust" under the Income Tax Act (Canada) 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.

f) 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.

g) Net asset value per unit

The net asset value per unit is calculated by dividing the net asset value of units by the total number of units outstanding at the end of the period.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

h) Organization costs

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

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:

	2007	2006
Balance, beginning of period	3,079,697	2,820,278
Issued	153,170	423,390
Redeemed	<u>(207,624)</u>	<u>(154,105)</u>
Balance, end of period	<u>3,025,243</u>	<u>3,089,563</u>

4. RECONCILIATION TRANSACTIONAL NAV TO GAAP NAV

	Transactional NAV	Section 3855 Adjustment	GAAP NAV
NAV (\$)	88,485,274	(1,704,481)	86,780,793
NAV per Unit (\$)	29.25	(0.56)	28.69

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

5. 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.

6. EXPENSES

The Manager may pay out of the 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.

7. RELATED PARTY TRANSACTIONS

Management fees of \$845,958 (2006 - \$584,474) were paid to the Manager during the period (see note 5). Performance fees of \$4,712,291 (2006 - \$3,282,976) were also paid to the Manager during the period (see note 5). The period end balance of \$4,712,291 (2006 - \$3,282,976) in performance fees payable is payable to the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of Front Street Capital 2004 provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution-only basis. During the period ended June 30, 2007, Tuscarora Capital Inc. received \$24,954 (2006 - \$19,597) in commissions on portfolio transactions for the Fund.

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.

8. DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Income 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.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

9. **BROKERAGE COMMISSIONS**

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2007 was \$245,533 (2006 - \$272,643).

10. **INCOME TAX LOSS CARRYFORWARD**

The Fund has \$712,981 in non-capital losses available to be applied against taxable income of future years. These losses expire in 2015.

11. **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.

12. **FINANCIAL INSTRUMENTS**

The Fund's financial instruments consist of investments, at current value, accounts receivable related to units issued, accrued dividends receivable, bank indebtedness, accounts payable and accrued liabilities, performance fees payable, liability for units redeemed and obligations from portfolio asset sold short, at current value. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests.

i) **Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities in the market. All trading instruments are recognized at fair value and all changes in market conditions directly affect net assets from operations.

ii) **Currency risk**

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars.

FRONT STREET MINING OPPORTUNITIES FUND

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2007 (UNAUDITED)

iii) Interest rate risk

The Fund is exposed to interest rate risk related to short-term deposits and borrowings as well as investments in government and corporate debt instruments. Consequently, the cash flows related to interest income and expense and the valuation of debt instruments could vary significantly from current value.

13. 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.

14. EXEMPTION FROM REGULATORY FILING REQUIREMENTS

National Instrument 81-106 Investment Fund Continuous Disclosure allows for Investment Funds categorized as non-reporting issuers to take advantage of an exemption to file annual and interim financial statements with the relevant regulatory authority as per Section 2.11 of the Ontario Securities Act. The Fund, as a non-reporting issuer, is relying on this exemption not to file its financial statements.



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