



Annual Management Report of Fund Performance As at October 31, 2007 Front Street Resource Fund Class

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Front Street Resource Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The annual financials of the Fund are attached behind this report and you can also get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at www.frontstreetcapital.com or SEDAR at www.sedar.com

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

Forward Looking Information

This Annual Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Annual Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Annual Management Report of Fund Performance, and the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.



Management Discussion of Fund Performance

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objective is primarily to achieve capital appreciation through investment in a diversified portfolio of equity securities of Resource Issuers engaged in oil and gas or mining exploration, development or production or other forms of energy production, pulp and paper, forestry industries, or energy product and related resource businesses, such as pipeline or services companies and utilities. The Investment Advisor, Front Street Investment Management Inc., will assist the Fund in selecting investments in common shares and other securities of Resource Issuers, including junior Resource Issuers, in accordance with the investment strategies and guidelines outlined herein, with the objective of achieving capital appreciation for the Fund's securityholders. Such investments may include short selling of securities which the Investment Advisor believes are overvalued.

The Investment Advisor may also consider non-investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

The Fund's investment strategy entails initially investing in shares of Resource Issuers engaged in oil and gas or mining exploration, development or production or energy production, including alternative energy production such as from wind, and that (i) have experienced management; (ii) have a strong exploration program in place; (iii) may require time to mature; and (iv) offer potential for future growth. It is anticipated that the Resource Issuers will include a significant number of junior Resource Issuers.

The Investment Advisor will manage the investment portfolio so as to achieve capital appreciation of the Fund's investments. This continuing investment management program may involve the divestiture of shares and other investments and the reinvestment of the net proceeds from such dispositions in securities of Resource Issuers, as well as other issuers in the oil and gas, mining, pulp and paper, and forestry industries, energy producers and related resource business issuers, such as pipeline or service companies and utilities. All investments will be made in accordance with the Fund's investment policies and restrictions described herein.

The Front Street Resource Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income. In managing the portfolio, the Investment Advisor intends to use strategies including: investing in undervalued securities, short selling overvalued securities, managing long/short positions, pairs trading, special warrant arbitrage, merger arbitrage, convertible arbitrage and participation in restructurings.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

RISK

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

Currency risk proved to have an effect on the Fund's returns, as the Canadian dollar strengthened, relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity risk also affected Fund volatility. While market volatility was high overall, the high price of commodities was a positive factor that contributed to Canadian equity market performance, particularly in the materials and mining sector.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to when the current cycle of monetary policy tightening may be ending. As higher borrowing costs tend to slow the economy, rising interest rates tend to have a negative impact on the outlook for corporate-profit growth and therefore equity market performance.

Credit risk was another factor this year. Specifically, a weakening housing market in the United States finally became a crisis in August of 2007 as assets backed by subprime mortgages collapsed, impacting global debt and equity markets. As the autumn progressed, the vicious circle caused by deteriorating credit impacted commercial banks -- holders of bonds and other securities backed by home loans. As a result, lending has been curtailed and the cost of money is higher. Although the Fund did not hold the debt in question, equity markets have been weak due to the general uncertainty and the fact that global growth could decelerate into 2008 as liquidity dries up.

Political risk was also in evidence this period following the Alberta government's announced changes in tax policy in the oil and gas sector in October 2007. This will increase volatility and risk.

The Fund has multiple risks associated with equity markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking monthly income and long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form dated June 13, 2007.

RESULTS OF OPERATIONS

While the mining industry remains a small percentage of global stock market capitalizations, investors are beginning to pay attention. Notwithstanding that, the group remains reasonably valued using conventional stockmarket tools. The industry's balance sheet is exceptionally healthy and its cash generating capability is high. While the temptation to bring on new "Greenfield" projects is increasing, the industry remains challenged as these growth opportunities reside in politically difficult areas. Nevertheless, the compelling valuations, in a healthy world economy, along with potential mergers and acquisitions activities, are keeping the Fund long the group.

RECENT DEVELOPMENTS

The Fund anticipates that volatility will continue in the equity markets for the foreseeable future. The perception exists that inventory levels are tight in most commodity groups leading to an inability to cushion any shocks to the system. Despite this, and even with a changing interest rate and credit environment, economic growth has continued unabated.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective November 1, 2006, the Fund has adopted Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, issued by the Canadian Institute of Chartered Accountants ("CICA"), which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Additionally, Section 14.2 of National Instrument 81-106 ("NI 81-106"), issued by the Canadian



Securities Administrators in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles (“GAAP”).

RELATED-PARTY TRANSACTIONS

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of Front Street Mutual Funds Limited, the manager of the Fund, and the Investment Advisor, 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. For the year ended October 31, 2007, Tuscarora Capital Inc. received \$5,496 in commission on portfolio transactions for the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the past financial year. This information is derived from the Fund’s audited annual financial statements.

FRONT STREET RESOURCE FUND CLASS SERIES A

FOR THE YEARS ENDED	October 31, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
The Fund's Net Asset (NAV) per Share					
Net asset, beginning of year (7)	10.96	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.13	0.05	-	-	-
Total expenses	(1.12)	(0.81)	-	-	-
Realized gains (losses)	0.89	0.20	-	-	-
Unrealized gains (losses)	3.87	1.79	-	-	-
Total increase (decrease) from operations ⁽¹⁾	3.77	1.23	-	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset, end of year (7)	15.14	11.09	-	-	-
Ratios and Supplemental Data Series A					
Net assets (000's) ⁽³⁾	6,061	517	-	-	-
Number of shares outstanding	400,363	46,587	-	-	-
Management expense ratio ⁽⁴⁾	8.22%	21.73%	-	-	-
Management expense ratio before waivers or absorptions	8.22%	21.73%	-	-	-
Portfolio turnover rate ⁽⁵⁾	80.56%	105.69%	-	-	-
Trading expense ratio ⁽⁶⁾	0.71%	0.82%	-	-	-



FRONT STREET RESOURCE FUND CLASS SERIES B

FOR THE YEARS ENDED	October 31, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
The Fund's Net Asset (NAV) per Share					
Net asset, beginning of year (7)	10.96	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.13	0.06	-	-	-
Total expenses	(1.19)	(0.63)	-	-	-
Realized gains (losses)	0.87	0.20	-	-	-
Unrealized gains (losses)	3.45	1.18	-	-	-
Total increase (decrease) from operations ⁽¹⁾	3.26	0.81	-	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset, end of year (7)	15.02	11.09	-	-	-
Ratios and Supplemental Data Series B					
Net assets (000's) ⁽³⁾	11,827	427	-	-	-
Number of shares outstanding	787,473	38,543	-	-	-
Management expense ratio ⁽⁴⁾	8.77%	17.13%	-	-	-
Management expense ratio before waivers or absorptions	8.77%	17.13%	-	-	-
Portfolio turnover rate ⁽⁵⁾	80.56%	105.69%	-	-	-
Trading expense ratio ⁽⁶⁾	0.71%	0.82%	-	-	-

FRONT STREET RESOURCE FUND CLASS SERIES F

FOR THE YEARS ENDED	October 31, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
The Fund's Net Asset (NAV) per Share					
Net asset, beginning of year (7)	11.05	10.00	-	-	-
Increase (decrease) from operations:					
Total revenue	0.12	0.05	-	-	-
Total expenses	(1.51)	(0.73)	-	-	-
Realized gains (losses)	0.97	0.14	-	-	-
Unrealized gains (losses)	1.05	1.56	-	-	-
Total increase (decrease) from operations ⁽¹⁾	0.63	1.02	-	-	-



FOR THE YEARS ENDED	October 31, 2007	October 31, 2006	October 31, 2005	October 31, 2004	October 31, 2003
	\$	\$	\$	\$	\$
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset, end of year (7)	14.94	11.18	-	-	-
Ratios and Supplemental Data Series F					
Net assets (000's) ⁽³⁾	735	316	-	-	-
Number of shares outstanding	49,207	28,244	-	-	-
Management expense ratio ⁽⁴⁾	12.89%	23.27%	-	-	-
Management expense ratio before waivers or absorptions	12.89%	23.27%	-	-	-
Portfolio turnover rate ⁽⁵⁾	80.56%	105.69%	-	-	-
Trading expense ratio ⁽⁶⁾	0.71%	0.82%	-	-	-

- (1) Net asset and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial year.
- (2) Distributions were paid in cash and/or reinvested in additional shares of the Fund.
- (3) This information is provided as at period end of the year shown.
- (4) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year. In the year a series is established, the management expense ratio is annualized from the date of inception to October 31.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.
- (7) The relief granted by the Canadian securities regulatory authorities from complying with Section 3855 results in a difference between GAAP NAV and Transactional NAV due to the use of different valuation techniques for certain investments. We have adopted the provisions of Section 3855 retroactively without restatement or prior years. Accordingly, the beginning of year net asset for the current year is adjusted.



MANAGEMENT & PERFORMANCE FEES

The Fund pays the Investment Advisor a monthly fee equal to one-twelfth of 2.5% of net asset value of the applicable series of the Fund, payable monthly in arrears, calculated without regard to any accrual of performance bonuses (as described below) and before payment of such fee.

The Investment Advisor may earn an annual performance bonus (a “Performance Bonus”) in each fiscal quarter if the percentage gain in the new asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the ‘Benchmark’) over the same period. The Benchmark for the Fund is calculated as follows:

- 25% of the percentage gain or loss of the S&P/TSX Capped Gold Index (Code: STGOLD)
- + 25% of the percentage gain or loss of the Paper & Forest Index Subindex to the S&P/TSX Capped Materials Index (Code: STPAPR)
- + 25% of the percentage gain or loss of the S&P/TSX Diversified Metals & Mining Index (code: STMATR)
- + 25% of the percentage gain or loss of the S&P/TSX Diversified Energy Index (Code: STENRS)

The fee will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per security of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarter. The starting reference point for the next calendar quarter’s calculation will be based on the higher of either the Benchmark performance adjusted net asset value per security or the adjusted actual net asset value per security, both with respect to the previous quarter in which a performance fee was payable.

DEALER COMPENSATION

Brokers, dealers and advisors may be paid a share of the management fee – called a “trailer commission”, for assets that their sales representatives place in the Series A and Series B Fund securities. The Fund may, at its discretion, negotiate, change the terms and conditions of, or discontinue the trailer commission with brokers, dealers and advisors.

The trailer commission is calculated as a percentage of assets each broker, dealer or advisor has placed in the Fund series. The trailer commission is calculated based on the closing balance of client accounts for each calendar month. The trailer commission will not be paid if the assets are removed from the Funds. Trailer commissions are paid quarterly at rates set within ranges according to the following table.

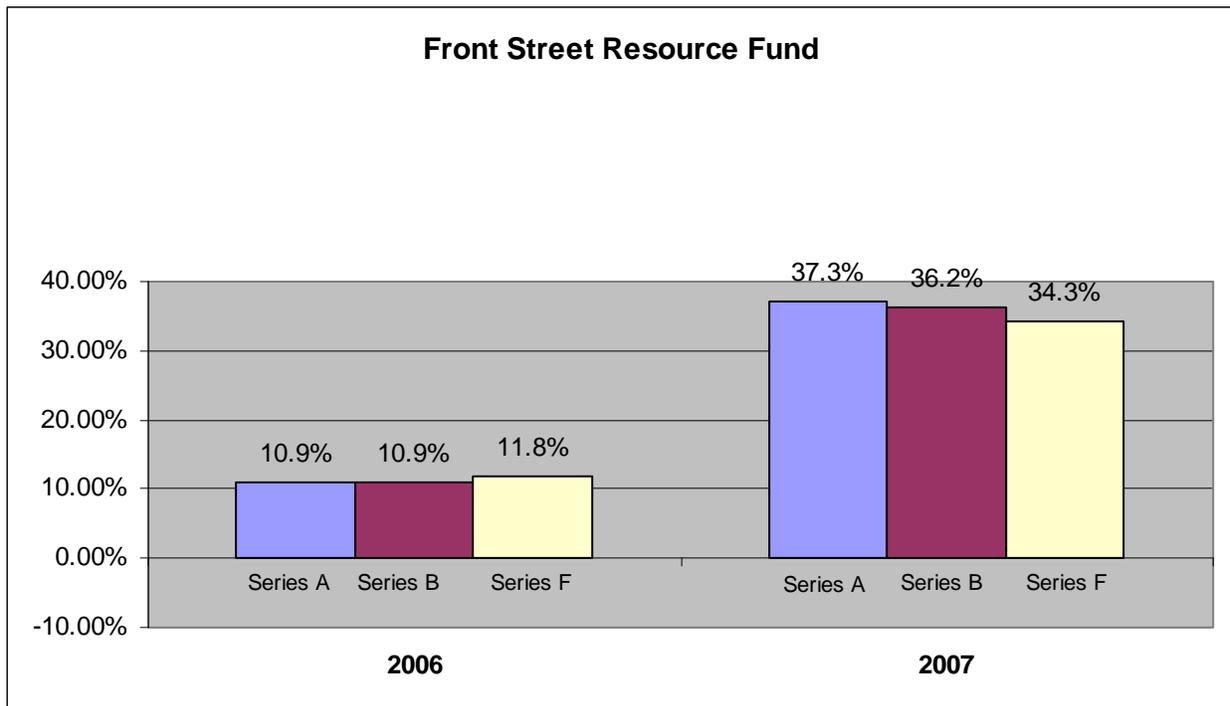
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

PAST PERFORMANCE

The past performance of the Fund is set out below and includes year-to-date returns.

With respect to the charts displayed below, please note the following:

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund;
- (b) the return or performance information does not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance; and
- (c) how the Fund has performed in the past does not necessarily indicate how it will perform in the future.



Annual Compound Returns

The following table shows the Fund’s historical annual compound total return since inception as compared to the performance of the S&P/TSX Capped Gold Index, the Paper & Forest Index Sub-index to the S&P/TSX Capped Materials Index, the S&P/TSX Diversified Metals & Mining Index and the S&P/TSX Diversified Energy Index.

	Since Inception June 22, 2006
Front Street Resource Fund Series A	52.19%
Front Street Resource Fund Series B	50.99%
S&P/TSX Capped Gold Index	29.33%
Paper & Forest Index Sub-index to the S&P/TSX Capped Materials Index	-16.42%
S&P/TSX Diversified Metals & Mining Index	69.72%
S&P/TSX Diversified Energy Index	12.64%
	Since Inception July 13, 2006
Front Street Resource Fund Series F	50.16%
S&P/TSX Capped Gold Index	19.81%
Paper & Forest Index Sub-index to the S&P/TSX Capped Materials Index	-19.77%
S&P/TSX Diversified Metals & Mining Index	58.53%
S&P/TSX Diversified Energy Index	5.84%

Summary of Investment Portfolio as at October 31, 2007

	% of Total
Cash and Cash Equivalents	16.4
LONG POSITIONS	
Materials	59.5
Energy	23.1
Consumer Staples	1.5
Financial	0.5
SHORT POSITIONS	
Materials	(2.2)
Total Investments Portfolio	82.4
Total Investments Portfolio Including Cash and Cash Equivalents	98.8
Other Assets	1.2
Total Net assets	100.0

Top 25 Issuers

LONG POSITIONS	
Agnico-Eagle Mines Limited	3.9%
Petrobank Energy and Resources Limited	3.8%
Midwest Corporation Limited	2.6%
Goldcorp Inc.	2.5%
Platinum Group Metals Limited	2.3%
Aura Minerals Inc.	2.0%
European Goldfields Limited	2.0%
Flint Energy Services Limited	1.9%
Jabiru Metals Limited	1.9%
Silvercorp Metals Inc.	1.8%
Thompson Creek Metals Company Inc.	1.7%
Aurelian Resources Inc.	1.7%
Murchison Metals Limited	1.5%
Peerless Energy Inc. 'A'	1.5%
North American Tungsten Corporation Limited	1.5%
ETFS Grains DJ-AIGSM	1.5%
Addax Petroleum Corporation	1.4%
Rockwell Diamonds Inc.	1.4%
Paladin Resources Limited	1.4%
Athabasca Oil Sands Corporation	1.3%
Vero Energy Inc.	1.3%
Barrick Gold Corporation	1.3%
Shore Gold Inc.	1.2%
Companhia Vale do Rio Doce ADR	1.1%
SHORT POSITIONS	
Newmont Mining Corporation	-1.3%

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained by contacting the Investment Advisor.

FRONT STREET RESOURCE FUND CLASS

**FINANCIAL STATEMENTS
OCTOBER 31, 2007**

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Resource Fund Class of Front Street Mutual Funds Limited have been prepared by the management of Front Street Mutual Funds Limited, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Mutual Funds Limited is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with the Manager and the external auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Resource Fund Class. They are appointed by the Manager of the Fund. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of Front Street Mutual Funds Limited,
Manager of the Fund



Gary P. Selke
Chief Executive Officer and Director



Murray Plaskett
Chief Financial Officer

December 28, 2007

SEGAL LLP
2005 Sheppard Ave E, No. 500
Toronto, Ontario M2J 5B4

Phone. 416 391 4499
Fax. 416 391 3280
Toll Free. 1 800 206 7307
info@segalllp.com

A MEMBER OF DFK INTERNATIONAL

AUDITORS' REPORT

To the Shareholders of Front Street Resource Fund Class (the "Fund") of Front Street Mutual Funds Limited

We have audited the statement of net assets of the Front Street Resource Fund Class, (the "Fund") as at October 31, 2007 and the statements of operations and changes in net assets for the year then ended and the statement of investment portfolio as at October 31, 2007. 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 the Manager, 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 October 31, 2007 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
December 28, 2007

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF NET ASSETS AS AT OCTOBER 31, 2007

	2007	2006
ASSETS		
Investments, at fair value (cost - \$12,987,842; 2006 - \$1,168,782)	\$ 15,746,590	\$ 1,324,183
Cash and cash equivalents	3,052,418	11,761
Accounts receivable relating to shares issued	34,657	15,000
Accounts receivable relating to portfolio assets sold	358,727	26,286
Amounts receivable relating to accrued income	<u>1,079</u>	<u>-</u>
	<u>\$ 19,193,471</u>	<u>\$ 1,377,230</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 409,138	\$ 31,286
Accrued expenses, note 7	113,075	48,280
Liabilities for portfolio assets purchased	47,466	37,962
Accounts payable relating to shares redeemed	<u>655</u>	<u>-</u>
	<u>570,334</u>	<u>117,528</u>
Net assets representing shareholders' equity	<u>\$ 18,623,137</u>	<u>\$ 1,259,702</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 6,061,168	\$ 516,503
Shares outstanding, Series A, note 3	400,363	46,587
Net assets per share, Series A	<u>15.14</u>	<u>11.09</u>
Net assets, Series B	\$ 11,827,061	\$ 427,388
Shares outstanding, Series B, note 3	787,473	38,543
Net assets per share, Series B	<u>15.02</u>	<u>11.09</u>
Net assets, Series F	\$ 734,908	\$ 315,811
Shares outstanding, Series F, note 3	49,207	28,244
Net assets per share, Series F	<u>14.94</u>	<u>11.18</u>

On behalf of the Board of Front Street Mutual Funds Limited:



Gary P. Selke
Chief Executive Officer and Director
See accompanying notes to the financial statements



Murray Plaskett
Chief Financial Officer

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF OPERATIONS FOR THE YEAR ENDED OCTOBER 31, 2007

	2007 (12 months)	2006 (4 1/3 months)
Investment income		
Interest	\$ 66,196	\$ 4,259
Dividend	31,676	1,593
Less: foreign withholding taxes	<u>(852)</u>	<u>(265)</u>
	<u>97,020</u>	<u>5,587</u>
Expenses		
Performance fees, note 4	499,398	-
Management fees, note 4	297,253	10,088
Audit fees	33,973	9,664
Securityholder reporting costs	27,886	15,866
Legal fees	27,883	14,935
Administration fees	13,791	18,867
Custodial fees	1,911	2,650
Other expenses	<u>139</u>	<u>2,646</u>
	<u>902,234</u>	<u>74,716</u>
Net investment loss for the year	<u>(805,214)</u>	<u>(69,129)</u>
Net realized and unrealized gains on investments		
Net realized gain on the sale of investments	668,425	19,908
Transaction costs, note 6	(72,752)	-
Change in the unrealized appreciation of the value of investments	<u>2,713,873</u>	<u>153,201</u>
Net gain on investments for the year	<u>3,309,546</u>	<u>173,109</u>
Net increase in net assets from operations for the year	<u>\$ 2,504,332</u>	<u>\$ 103,980</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 837,006	\$ 41,129
Increase in net assets from operations per share, Series A	<u>\$ 3.77</u>	<u>\$ 1.23</u>
Increase in net assets from operations, Series B	\$ 1,645,140	\$ 40,040
Increase in net assets from operations per share, Series B	<u>\$ 3.26</u>	<u>\$ 0.81</u>
Increase in net assets from operations, Series F	\$ 22,186	\$ 22,811
Increase in net assets from operations per share, Series F	<u>\$ 0.63</u>	<u>\$ 1.02</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2007

	2007 (12 months)	2006 (4 1/3 months)
Series A		
Net assets, beginning of year	\$ 516,503	\$ -
Adoption of new accounting policy, notes 2 and 8	<u>(5,965)</u>	<u>-</u>
Adjusted net assets, beginning of year	<u>510,538</u>	<u>-</u>
Net increase in net assets from operations	<u>837,006</u>	<u>41,129</u>
Shareholder transactions		
Proceeds from the issuance of shares	4,806,253	475,374
Aggregate amounts paid on the redemption of shares	(201,205)	-
Net transfer from shares of other funds	<u>108,576</u>	<u>-</u>
	<u>4,713,624</u>	<u>475,374</u>
Net increase in net assets for the year	<u>5,550,630</u>	<u>516,503</u>
Net assets, end of year	<u>\$ 6,061,168</u>	<u>\$ 516,503</u>
Series B		
Net assets, beginning of year	\$ 427,388	\$ -
Adoption of new accounting policy, notes 2 and 8	<u>(4,960)</u>	<u>-</u>
Adjusted net assets, beginning of year	<u>422,428</u>	<u>-</u>
Net increase in net assets from operations	<u>1,645,140</u>	<u>40,040</u>
Shareholder transactions		
Proceeds from the issuance of shares	12,902,100	867,907
Aggregate amounts paid on the redemption of shares	(3,131,527)	(480,559)
Net transfer to shares of other funds	<u>(11,080)</u>	<u>-</u>
	<u>9,759,493</u>	<u>387,348</u>
Net increase in net assets for the year	<u>11,404,633</u>	<u>427,388</u>
Net assets, end of year	<u>\$ 11,827,061</u>	<u>\$ 427,388</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED OCTOBER 31, 2007

	2007 (12 months)	2006 (4 1/3 months)
Series F		
Net assets, beginning of year	\$ 315,811	\$ -
Adoption of new accounting policy, notes 2 and 8	<u>(3,644)</u>	<u>-</u>
Adjusted net assets, beginning of year	<u>312,167</u>	<u>-</u>
Net increase in net assets from operations	<u>22,186</u>	<u>22,811</u>
Shareholder transactions		
Proceeds from the issuance of shares	1,818,559	293,000
Aggregate amounts paid on the redemption of shares	(1,207,226)	-
Net transfer to shares of other funds	<u>(210,778)</u>	<u>-</u>
	<u>400,555</u>	<u>293,000</u>
Net increase in net assets for the year	<u>422,741</u>	<u>315,811</u>
Net assets, end of year	<u>\$ 734,908</u>	<u>\$ 315,811</u>
Total		
Net assets, beginning of year	\$ 1,259,702	\$ -
Adoption of new accounting policy, notes 2 and 8	<u>(14,569)</u>	<u>-</u>
Adjusted net assets, beginning of year	<u>1,245,133</u>	<u>-</u>
Net increase in net assets from operations	<u>2,504,332</u>	<u>103,980</u>
Shareholder transactions		
Proceeds from the issuance of shares	19,526,912	1,636,281
Aggregate amounts paid on the redemption of shares	(4,539,958)	(480,559)
Net transfer to shares of other funds	<u>(113,282)</u>	<u>-</u>
	<u>14,873,672</u>	<u>1,155,722</u>
Net increase in net assets for the year	<u>17,378,004</u>	<u>1,259,702</u>
Net assets, end of year	<u>\$ 18,623,137</u>	<u>\$ 1,259,702</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2007

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions (84.6%)			
Materials (59.5%)			
Aber Diamond Corporation	5,000	\$ 210,520	\$ 206,900
* A-Cap Resources Limited	105,000	106,334	85,978
Africo Resources Limited Warrants May 23, 2008	6,250	-	-
Agnico-Eagle Mines Limited	13,339	598,017	718,839
Anvil Mining Limited	4,000	29,520	76,320
Aura Minerals Inc.	250,000	200,000	380,000
Aurelian Resources Inc.	32,000	220,718	312,320
Aurora Energy Resources Inc.	7,000	119,910	113,260
Baffinland Iron Mines Corporation	36,000	89,280	165,960
Baffinland Iron Mines Corporation Warrants January 31, 2012	18,000	9,720	27,000
Barrick Gold Corporation	5,637	221,747	235,119
* Berkeley Resources Limited	125,000	218,039	178,295
Brilliant Mining Corporation	59,783	104,706	102,229
* CBH Resources Limited	178,624	100,484	88,859
* Centamin Egypt Limited	120,000	73,392	152,708
Centenario Copper Corporation	20,000	67,983	130,200
Chariot Resources Limited	100,000	78,500	124,000
* Companhia Vale do Rio Doce ADR	6,000	101,449	213,124
Crystallex International Corporation	25,000	106,250	74,500
Crystallex International Corporation Warrants February 11, 2008	7,500	1,800	-
Eldorado Gold Corporation	10,000	62,000	65,600
European Goldfields Limited	57,094	307,166	365,402
First Quantum Minerals Limited	1,000	56,785	101,690
FNX Mining Company Inc.	5,000	87,633	190,350
* Freeport-McMoRan Copper & Gold Inc.	1,000	64,550	110,931
GBS Gold International Inc.	84,000	232,280	125,160
Genco Resources Limited	43,000	122,180	164,260
Globestar Mining Corporation	50,000	70,500	87,500
Gold Eagle Mines Limited	19,100	164,088	149,362
Gold Port Resources Limited	125,000	57,500	53,125
Gold Port Resources Limited Warrants May 23, 2009	62,500	-	-
Goldcorp Inc.	14,000	385,159	464,520
Golden Star Resources Limited	25,000	93,220	85,500
HudBay Minerals Inc.	7,000	130,170	190,400
IAMGOLD Corporation	25,000	245,444	206,500
* Jabiru Metals Limited	248,000	229,651	346,094
* Mantra Resources Limited	12,933	2,172	14,803
* Mantra Resources Limited Warrants June 30, 2009	6,467	-	5,694

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2007

	Number of Shares / Units	Cost \$	Fair Value \$
Materials (59.5%) (continued..)			
* Midwest Corporation Limited	106,274	\$ 81,574	\$ 484,697
* Murchison Metals Limited	60,000	66,859	282,630
Murgor Resources Inc.	500,000	100,000	75,000
Murgor Resources Inc. Warrants December 14, 2008	250,000	-	-
Nevsun Resources Limited	50,000	135,500	106,500
New Gold Inc.	25,000	215,750	153,750
Noront Resources Limited	8,121	47,466	42,798
North American Tungsten Corporation Limited	182,500	117,382	273,750
Osisko Exploration Limited	24,231	136,850	153,382
Paladin Resources Limited	35,000	222,837	256,900
Peak Gold Limited	150,000	112,500	94,500
Peak Gold Limited Warrants April 3, 2012	75,000	-	18,750
* Perilya Limited	25,299	98,561	84,645
* Petrominerales Limited	11,236	135,394	203,821
Platinum Group Metals Limited	100,000	377,000	435,000
Platinum Limited	16,902	104,731	155,667
Platoro West Holdings Inc. Private Placement	250,000	25,000	25,000
QGX Limited	17,357	45,543	60,923
Redcorp Ventures Limited	76,777	52,554	21,498
Redcorp Ventures Limited Warrants July 10, 2009	17,510	1,051	1,313
Rockwell Diamonds Inc.	400,000	208,000	260,000
Rockwell Ventures Inc. Warrants May 8, 2009	400,000	-	-
Rocmec Mining Inc.	400,000	99,800	70,000
Shore Gold Inc.	50,000	293,040	225,000
Silvercorp Metals Inc.	36,000	207,223	326,160
Sino-Forest Corporation	8,000	101,200	200,800
Soho Resources Corporation	300,000	171,600	82,500
Starcore International Ventures Limited Warrants January 18, 2010	100,000	-	-
Sunridge Gold Corporation	100,000	221,701	185,000
Thompson Creek Metals Company Inc.	10,500	63,692	261,450
Thompson Creek Metals Company Inc. Warrants October 23, 2011	3,500	10,220	61,285
* Tiger Resources Limited	500,000	186,003	187,099
* Tiger Resources Limited Warrants May 31, 2009	250,000	-	-
WesternZagros Resources Limited	5,000	15,000	17,300
WesternZagros Resources Limited Warrants January 18, 2008	500	380	495
Yamana Gold Inc.	6,705	92,864	95,211
Zacoro Metals Corporation Special Warrants	85,054	63,791	63,791
		<u>\$ 8,779,933</u>	<u>\$ 11,079,117</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2007

	Number of Shares / Units	Cost \$	Fair Value \$
Energy (23.1%)			
Addax Petroleum Corporation	6,517	\$ 253,686	\$ 269,608
* Aim Resources Limited	646,357	177,126	139,429
* Aim Resources Limited Warrants September 28, 2010	198,178	-	-
* Andean Resources Limited	103,158	102,420	151,227
Antrim Energy Inc.	12,000	42,948	75,960
Athabasca Oil Sands Corporation Restricted	34,529	241,703	241,703
BA Energy Inc. Restricted	5,921	54,939	56,250
* Caledon Resources PLC	114,000	98,282	96,715
Changfeng Energy Inc. Restricted	140,000	35,000	35,000
Duvernay Oil Corporation	6,000	225,565	202,680
EnCana Corporation	2,400	145,144	158,544
Flint Energy Services Limited	15,000	391,990	363,000
Highpine Oil & Gas Limited	5,000	88,745	42,550
Kereco Energy Limited	20,000	148,800	85,000
* Marathon Oil Corporation	419	23,291	23,542
Niko Resources Limited	900	70,581	94,950
OPTI Canada Inc.	10,000	218,296	190,400
Pacific Stratus Energy Limited	10,000	70,800	138,700
Peerless Energy Inc. 'A'	53,500	180,056	277,130
Petro Rubiales Energy Corporation Restricted	106,010	90,109	171,418
Petro Rubiales Energy Corporation Warrants July 12, 2012	53,005	-	18,552
Petrobank Energy and Resources Limited	15,000	337,200	704,700
Petro-Canada	2,500	111,905	135,950
Talisman Energy Inc.	8,500	175,552	174,930
* Ultra Petroleum Corporation	1,602	97,341	98,897
Vero Energy Inc.	43,000	271,490	240,800
Waymark Energy Inc. Special Warrants	45,000	22,500	22,500
West Energy Limited	35,000	<u>162,401</u>	<u>85,750</u>
		<u>\$ 3,837,870</u>	<u>\$ 4,295,885</u>
Consumer Staples (1.5%)			
* ETFS Grains DJ-AIGSM	44,946	<u>\$ 277,621</u>	<u>\$ 273,199</u>
Financial (0.5%)			
* streetTRACKS Gold Trust	1,318	<u>\$ 92,418</u>	<u>\$ 98,389</u>
Total Long Positions		<u>12,987,842</u>	<u>15,746,590</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2007

	Number of Shares / Units	Cost \$	Fair Value \$
Short Positions (-2.2%)			
Materials (-2.2%)			
* AbitibiBowater Inc.	(5,191)	\$ (185,605)	\$ (167,410)
* Newmont Mining Corporation	(5,533)	<u>(265,099)</u>	<u>(241,728)</u>
		<u>(450,704)</u>	<u>(409,138)</u>
Transaction costs, note 2		<u>\$ (52,190)</u>	-
Total Investments (82.4%)		<u>\$ 12,484,948</u>	15,337,452
Cash and cash equivalents (16.4%)			3,052,418
Other assets less other liabilities (1.2%)			<u>233,267</u>
Net assets (100.0%)			<u>\$ 18,623,137</u>
* Non Canadian Holdings			

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

1. THE FUND

Front Street Resource Fund Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on June 22, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on July 13, 2006.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at October 31, 2007.

Management of Front Street Mutual Funds Limited is the manager of the Fund (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. BMO Nesbitt Burns Inc. is the custodian and Felcom Data Services Inc. provides fund accounting and shareholder recordkeeping services.

The Fund's investment objective is to provide Fund security holders capital appreciation through investment in a diversified portfolio of equity securities of Resource Issuers engaged in oil and gas or mining exploration, development or production or other forms of energy production, pulp and paper, forestry industries or energy product and related resource business, such as pipeline or services companies and utilities. The Fund's portfolio (the "Portfolio") will include securities the Fund's Investment Advisor believes are undervalued and may include short positions in securities the Investment Advisor believes are overvalued.

The investment advisor will manage the relative weightings of the Fund's long and short positions to achieve the Fund's investment objective. The Fund will also engage in pairs trading, special warrant arbitrage, merger arbitrage, convertible arbitrage and trading in securities of issuers that may be involved in restructurings or business unit dispositions. The Portfolio will consist primarily of investments, which generate capital gains, but will also include investments, which generate income.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies followed by the Fund:

a) Adoption of new accounting standards - Financial instruments

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, Financial Instruments - Recognition and Measurement, effective for financial statements relating to fiscal years beginning on or after October 1, 2006. This section establishes standards for the valuation of financial instruments, including the Fund's investments, and the accounting for transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value was based on the last traded price for the day, when available. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Prior to this new standard, these costs were added to the cost of the securities purchased or deducted from the proceeds of sale. Section 3855 has been applied retrospectively without restatement of prior periods effective November 1, 2006. The costs of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs. Accordingly, the opening net assets in the Statement of Changes in Net Assets for the year ended October 31, 2007 has been adjusted to reflect these changes in valuation.

National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators ("CSA") in 2005, requires the daily net asset value ("NAV") of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). The CSA had granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting NAV (other than for financial reporting purposes) until September 30, 2007. This temporary relief was to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of units in an investment fund. The CSA has completed this review and has proposed amendments to NI 81-106 that will permit funds to have two different net asset values: one for financial statements, which will be prepared in accordance with Canadian GAAP (referred to as "net assets"); and another for all the other purposes including unit pricing (referred to as "net asset value"). These financial statements have been prepared on a basis consistent with the proposed amendments including a reconciliation between net assets and net asset value (see note 8).

b) Valuation of investments

- i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation of the value 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.
- 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 Manager.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

b) Valuation of investments (continued..)

- ii) Investments 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 established had a ready market existed for these investments.

- iv) Short-term investments are valued at amortized cost, which approximates fair value.
- v) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.
- vi) The Fund values its investments in limited partnerships at fair value as determined by the Manager. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.
- vii) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

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.

- viii) The fair value of other financial assets and liabilities approximate their carrying values due to the short-term nature of these instruments.

c) Transaction costs

In accordance with Section 3855, portfolio transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchase or proceeds from sale of investments. The impact on the net asset value of the investment fund is the same regardless of which accounting method is utilized.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

d) 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.

e) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Gains and losses from such transactions are calculated using the average cost of the securities on disposition.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex dividend date.

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) Earnings (loss) per share

Earnings (loss) per share are based on the increase (decrease) in net assets from operations attributable to each series of shares divided by the weighted average number of shares outstanding of that series during the year.

h) Net assets per share

The net assets per share is calculated by dividing the net assets of a series of shares by the total number of shares of the series outstanding at the end of the year.

i) 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.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

3. SHARES ISSUED AND OUTSTANDING

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in three series. Redemption and commission fees vary according to each series of shares as follows:

Series A shares

Redemption fees payable to the Manager may be applicable upon the sale of shares of this series based on the original cost amount and the time to disposition. A redemption fee of 3% applies to shares of this series sold within the first 18 months following acquisition. A redemption fee of 2% applies to shares of this series sold after the first 18 months and prior to 36 months following acquisition. No redemption fee applies to shares of this series sold after the first 36 months following acquisition.

Series B shares

Commission fees payable to brokers, dealers or advisors may be applicable upon the purchase of shares of this series up to 3% of the gross purchase amount, at the discretion of the broker, dealer or advisor.

Series F shares

No redemption or commission fees are applicable to shares of this series.

The Fund allocates income and expenses, and realized and unrealized capital gains and losses to each class of shares outstanding based on the average class allocation for the year.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

3. SHARES ISSUED AND OUTSTANDING (Continued..)

The following share transactions took place during the year:

	2007	2006
Shares outstanding, beginning of the year:		
Series A	46,587	-
Series B	38,543	-
Series F	28,244	-
Shares issued during the year:		
Series A	394,092	46,587
Series B	1,039,113	86,296
Series F	131,795	28,244
Shares distributions reinvested during the year:		
Series A	-	-
Series B	-	-
Series F	-	-
Shares redeemed during the year:		
Series A	40,316	-
Series B	290,183	47,753
Series F	110,832	-
Shares outstanding, end of the year:		
Series A	400,363	46,587
Series B	787,473	38,543
Series F	49,207	28,244

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

4. MANAGEMENT AND PERFORMANCE FEES

The Fund pays the Investment Advisor a monthly management fee equal to 1/12 of 2.5 % of the net asset value of the Fund calculated and paid at the end of each month in arrears from each Fund series.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to and expenses incurred by the Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series as well as those expenses which are attributable solely to that series.

The Fund pays the Investment Advisor a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is calculated as follows: 25% of the percentage gain or loss of the S&P/TSX Capped Gold Index plus 25% of the percentage gain or loss of the Paper & Forest Index Subindex to the S&P/TSX Capped Materials Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Metals & Mining Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Energy Index. The fee will be equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter. The starting reference point for the next fiscal quarter's calculation will be based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable

5. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income being Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign source income. Tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's share are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

The Fund may elect in the prescribed manner and form in order to have the dividends it distributes treated as capital gains dividends to the extent that the dividends do not exceed the Fund's capital gains dividend account. The capital gains dividend account will be represented by the amount by which capital gains realized by the Fund while it was a mutual fund corporation exceed the aggregate of:

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

5. **INCOME TAX AND DISTRIBUTION** (Continued..)

- (a) capital losses realized by the Fund while it was a mutual fund corporation;
- (b) certain capital gains dividends previously paid by it; and
- (c) amounts in respect of which the Fund received capital gains tax refunds.

The Fund anticipates that gains and losses realized on the disposition of investments will normally give rise to capital gains not ordinary income. The Fund intends to declare sufficient capital gains dividends so that it is entitled to a refund of the full amount of tax paid or payable on their capital gains. The suspended loss rules in the Income Tax Act (Canada) may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of capital gains dividends that the Fund must pay to Fund shareholders.

If allowable capital losses exceed taxable capital gains of the Fund in any taxation year, the excess cannot be allocated to shareholders, but may be carried back three years and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent years.

The Fund will allocate taxes payable and recoverable of the Fund to each of the classes. The Fund can pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends or capital gains taxes. The Fund intends to pay out such dividends so as to maximize tax refunds and minimize taxes payable at the corporate level.

The Fund may be subject to provincial capital taxes. The Fund may also be subject to large corporations' capital tax under Part 1.3 of the Income Tax Act (Canada) although it is proposed that such tax be reduced and then eliminated by 2008.

The corporation's shares are qualified investments for registered plans.

6. **TRANSACTION COSTS**

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2007 was \$72,752 (2006 - \$8,616).

7. **RELATED PARTY TRANSACTIONS**

Management fees of \$297,253 (2006 - \$10,088) were paid to the Investment Advisor, a company under common control to the Manager, during the year (see note 4). Performance fees of \$499,398 (2006 - \$Nil) were also paid to the Investment Advisor during the year (see note 4). Included in accrued expenses are \$42,179 (2006 - \$2,990) of management fees payable and \$17,321 (2006 - \$Nil) of performance fees payable to the Investment Advisor.

430,457.458 (2006 - Nil) of series B shares outstanding at year end representing 54.66% (2006 - Nil) of the total series B shares of the Fund are held by the Partners of Front Street Capital 2004, a partnership under common control to the Manager.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

7. RELATED PARTY TRANSACTIONS (Continued..)

866.942 (2006 -Nil) of series F shares outstanding at year end representing 1.76% (2006 -Nil) of the total series F shares of the Fund are held by relatives of the Partners of Front Street Capital 2004, a partnership under common control to the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager 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 year ended October 31, 2007, Tuscarora Capital Inc, , a company under common control to the Manager, received \$5,496 (2006 - \$407) in commissions on portfolio transactions for the Fund.

Management fees and performance fees are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Company, the exchange amount of consideration is the transactional NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

8. RECONCILIATION OF NET ASSET VALUE - ADOPTION OF NEW ACCOUNTING POLICY - FINANCIAL INSTRUMENTS

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using generally accepted accounting policies ("GAAP NA") of an investment fund is required for financial reporting periods commencing October 31, 2007. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2), rather than the use of valuation techniques by virtue of general practice in the investment funds industry.

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at October 31, 2007

	<u>Net Asset Value</u>			<u>Net Assets per Share</u>		<u>Opening NAV</u>
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA	Section 3855 Adjustment
Series A	6,101,071	(39,903)	6,061,168	15.24	15.14	(5,965)
Series B	11,905,567	(78,506)	11,827,061	15.12	15.02	(4,960)
Series F	739,883	(4,975)	734,908	15.04	14.94	(3,644)
Total Net Asset Value	18,746,521	(123,384)	18,623,137			(14,569)

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

9. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, amounts receivable relating to accrued income, obligations from portfolio assets sold short at fair value, accrued expenses, liabilities for portfolio assets purchased and accounts payable relating to shares redeemed. It is management's opinion that the Fund is not exposed to significant market, currency, interest rate, liquidity and cash flow 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 fair value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars.

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.

iv) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

v) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2007

10. CREDIT RISK

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.

11. COMPARATIVE AMOUNTS

Certain of the prior year figures have been reclassified to conform with the current year's presentation.