

FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

Management Report of Fund Performance

and

Interim Financial Statements

April 30, 2008

Front Street Resource Fund

Interim Management Report of Fund Performance As at April 30, 2008 Front Street Resource Fund Class

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements for Front Street Resource Fund, a class of shares of Front Street Mutual Funds Limited fund (the "Fund"). The interim 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 Interim 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 Interim 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 Interim 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 interest rate policy. 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 continued to be in evidence this past six months following the Alberta government's announced changes in tax policy in the oil and gas sector in October 2007. This has and will continue to 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.

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 stock market 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.

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.

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 six months ended April 30, 2008, Tuscarora Capital Inc. received \$1,197 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 and unaudited interim financial statements for the six months ended April 30, 2008.

FRONT STREET RESOURCE FUND CLASS SERIES A

FOR THE PERIODS ENDED	April 30, 2008 \$	October 31, 2007 \$	October 31, 2006 \$	October 31, 2005 \$	October 31, 2004 \$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period ⁽³⁾	15.14	10.96	10.00	-	-
Increase (decrease) from operations:					
Total revenue	0.04	0.13	0.05	-	-
Total expenses	(0.24)	(1.12)	(0.81)	-	-
Realized gains (losses)	(0.37)	0.89	0.20	-	-
Unrealized gains (losses)	(1.07)	3.87	1.79	-	-
Total increase (decrease) from operations ⁽¹⁾	(1.64)	3.77	1.23	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset value, end of period ⁽³⁾	13.48	15.14	11.09	-	-
Ratios and Supplemental Data Series A					
Net assets (000's) ⁽⁴⁾	6,166	6,061	517	-	-
Number of shares outstanding ⁽⁴⁾	457,575	400,363	46,587	-	-
Management expense ratio ⁽⁵⁾	3.51%	8.22%	21.73%	-	-
Management expense ratio before waivers or absorptions	3.51%	8.22%	21.73%	-	-
Trading expense ratio ⁽⁶⁾	0.20%	0.71%	0.82%	-	-
Portfolio turnover rate ⁽⁷⁾	56.35%	80.56%	105.69%	-	-
Net asset value per share ⁽⁸⁾	13.48	15.14	11.09	-	-
Closing market price or transaccional NAV ⁽⁸⁾	13.56	15.24	11.09	-	-



FRONT STREET RESOURCE FUND CLASS SERIES B

FOR THE PERIODS ENDED	April 30, 2008 \$	October 31, 2007 \$	October 31, 2006 \$	October 31, 2005 \$	October 31, 2004 \$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period ⁽³⁾	15.02	10.96	10.00	-	-
Increase (decrease) from operations:					
Total revenue	0.04	0.13	0.06	-	-
Total expenses	(0.24)	(1.19)	(0.63)	-	-
Realized gains (losses)	(0.37)	0.87	0.20	-	-
Unrealized gains (losses)	(1.34)	3.45	1.18	-	-
Total increase (decrease) from operations ⁽¹⁾	(1.91)	3.26	0.81	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset value, end of period ⁽³⁾	13.36	15.02	11.09	-	-
Ratios and Supplemental Data Series B					
Net assets (000's) ⁽⁴⁾	8,582	11,827	427	-	-
Number of shares outstanding ⁽⁴⁾	642,395	787,473	38,543	-	-
Management expense ratio ⁽⁵⁾	3.48%	8.77%	17.13%	-	-
Management expense ratio before waivers or absorptions	3.48%	8.77%	17.13%	-	-
Trading expense ratio ⁽⁶⁾	0.20%	0.71%	0.82%	-	-
Portfolio turnover rate ⁽⁷⁾	56.35%	80.56%	105.69%	-	-
Net asset value per share ⁽⁸⁾	13.36	15.02	11.09	-	-
Closing market price or transaccional NAV ⁽⁸⁾	13.44	15.12	11.09	-	-

FRONT STREET RESOURCE FUND CLASS SERIES F

FOR THE PERIODS ENDED	April 30, 2008 \$	October 31, 2007 \$	October 31, 2006 \$	October 31, 2005 \$	October 31, 2004 \$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of period ⁽³⁾	14.94	11.05	10.00	-	-
Increase (decrease) from operations:					
Total revenue	0.04	0.12	0.05	-	-
Total expenses	(0.24)	(1.51)	(0.73)	-	-
Realized gains (losses)	(0.38)	0.97	0.14	-	-
Unrealized gains (losses)	(1.22)	1.05	1.56	-	-
Total increase (decrease) from operations ⁽¹⁾	(1.80)	0.63	1.02	-	-
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total distributions ⁽²⁾	-	-	-	-	-
Net asset value, end of period ⁽³⁾	13.23	14.94	11.18	-	-
Ratios and Supplemental Data Series F					
Net assets (000's) ⁽⁴⁾	484	735	316	-	-
Number of shares outstanding ⁽⁴⁾	36,591	49,207	28,244	-	-
Management expense ratio ⁽⁵⁾	3.58%	12.89%	23.27%	-	-
Management expense ratio before waivers or absorptions	3.58%	12.89%	23.27%	-	-
Trading expense ratio ⁽⁶⁾	0.20%	0.71%	0.82%	-	-
Portfolio turnover rate ⁽⁷⁾	56.35%	80.56%	105.69%	-	-
Net asset value per share ⁽⁸⁾	13.23	14.94	11.18	-	-
Closing market price or transactional NAV ⁽⁸⁾	13.32	15.04	11.18	-	-

(1) Net asset value 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) 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 of prior years. Accordingly, the beginning of year net asset value for the current year is adjusted.

(4) This information is provided as at period end of the year shown.

(5) 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.

(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 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.

(8) 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 of prior years. Accordingly, the beginning of year net asset value 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.

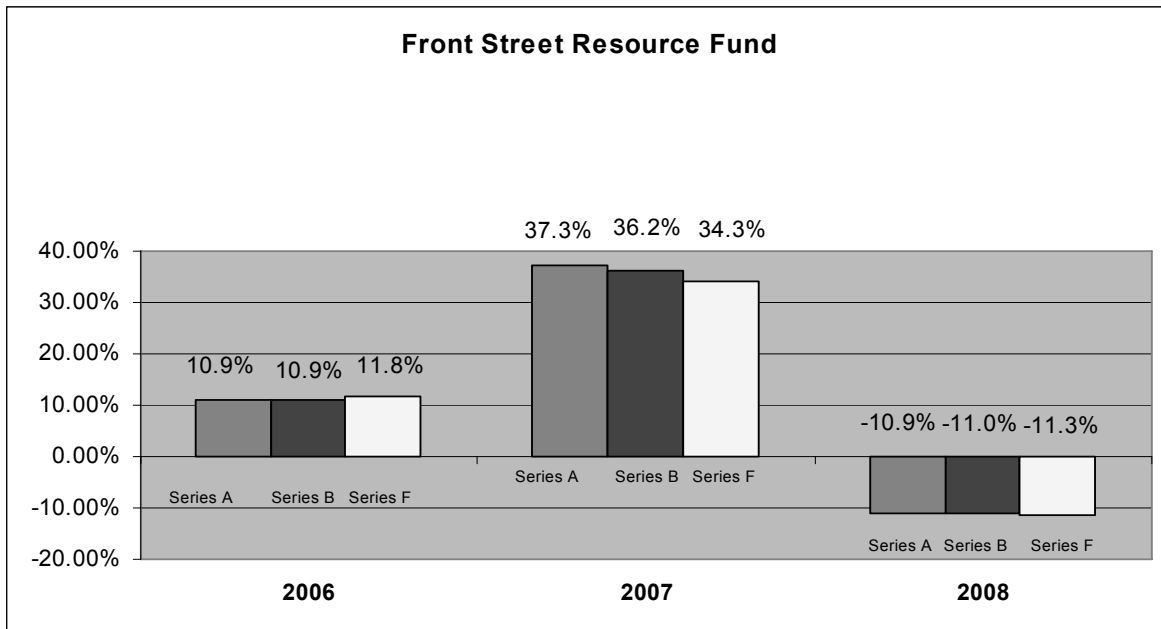
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil

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	35.58%
Front Street Resource Fund Series B	34.43%
S&P/TSX Capped Gold Index	23.50%
Paper & Forest Index Sub-index to the S&P/TSX Capped Materials Index	-29.50%
S&P/TSX Diversified Metals & Mining Index	73.35%
S&P/TSX Diversified Energy Index	18.95%
	Since Inception July 13, 2006
Front Street Resource Fund Series F	33.18%
S&P/TSX Capped Gold Index	14.41%
Paper & Forest Index Sub-index to the S&P/TSX Capped Materials Index	-32.33%
S&P/TSX Diversified Metals & Mining Index	61.92%
S&P/TSX Diversified Energy Index	11.77%

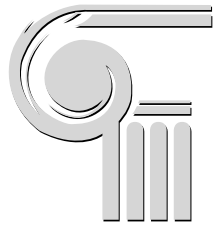
Summary of Investment Portfolio as at April 30, 2008

	% of Total
Cash and Cash Equivalents	8.7%
LONG POSITIONS	
Materials	55.3%
Energy	39.1%
Consumer Staples	2.3%
SHORT POSITIONS	
Energy	-3.7%
Total Investments Portfolio	93.0%
Total Investments Portfolio Including Cash and Short-Term	101.7%
Other Assets	-1.7%
Total Net assets	100.0%

Top 25 Investments

LONG POSITIONS	
Petrobank Energy and Resources Limited	6.4%
Midwest Corporation Limited	4.1%
Agnico-Eagle Mines Limited	3.5%
Goldcorp Inc.	3.2%
Vero Energy Inc.	2.5%
Niko Resources Limited	2.4%
ETFS Grains DJ-AIGSM	2.3%
Storm Exploration Inc.	2.3%
Athabasca Oil Sands Corporation Restricted	2.3%
Flint Energy Services Limited	2.2%
Aura Minerals Inc.	2.2%
Companhia Vale do Rio Doce SA ADR	2.1%
European Goldfields Limited	2.0%
Pacific Rubiales Energy Corporation	2.0%
Addax Petroleum Corporation	1.9%
Agrium Inc.	1.9%
Duvernay Oil Corporation	1.9%
Thompson Creek Metals Company Inc.	1.8%
Murchison Metals Limited	1.7%
Andean Resources Limited	1.6%
NEMI Northern Energy & Mining Inc.	1.6%
FNX Mining Company Inc.	1.6%
Tiger Resources Limited	1.4%
North American Tungsten Corporation Limited	1.4%
SHORT POSITIONS	
Energy Select Sector SPDR	-3.7%

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

INTERIM FINANCIAL STATEMENTS

FRONT STREET RESOURCE FUND CLASS

FOR THE SIX MONTHS ENDED APRIL 30, 2008

Front Street Resource Fund Class
Statement of Net Assets
As at April 30, 2008 (unaudited) and October 31, 2007

	2008	2007
Assets		
Investments, at fair value (cost - \$12,786,333 ; 2007 - \$12,987,842)	\$ 14,740,154	\$ 15,746,590
Cash and cash equivalents	1,318,291	3,052,418
Accounts receivable relating to shares issued	1,184	34,657
Accounts receivable relating to portfolio assets sold	-	358,727
Amounts receivable relating to accrued income	767	1,079
	<u>16,060,396</u>	<u>19,193,471</u>
Liabilities		
Obligations from portfolio assets sold short, at fair value	\$ 559,323	\$ 409,138
Accrued expenses, note 7	121,043	113,075
Liabilities for portfolio assets purchased	144,357	47,466
Accounts payable relating to shares redeemed	3,041	655
	<u>827,764</u>	<u>570,334</u>
Net assets representing shareholders' equity	\$ 15,232,632	\$ 18,623,137

Net assets applicable to outstanding shares allocated as follows:

Net assets, Series A	\$ 6,166,448	\$ 6,061,168
Shares outstanding, Series A, note 3	457,575	400,363
Net assets per share, Series A	<u>13.48</u>	<u>15.14</u>
Net assets, Series B	\$ 8,582,005	\$ 11,827,061
Shares outstanding, Series B, note 3	642,395	787,473
Net assets per share, Series B	<u>13.36</u>	<u>15.02</u>
Net assets, Series F	\$ 484,179	\$ 734,908
Shares outstanding, Series F, note 3	36,591	49,207
Net assets per share, Series F	<u>13.23</u>	<u>14.94</u>

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



 Gary P. Selke
 Chief Executive Officer and Director



 Murray Plasket
 Chief Financial Officer

See accompanying notes to the financial statements

Front Street Resource Fund Class
Statement of Operations (unaudited)
For the Periods Ended April 30

	2008	2007
Investment income		
Interest	\$ 31,153	\$ 15,978
Dividend	16,526	6,506
Less: foreign withholding taxes	(129)	(513)
	<u>47,550</u>	<u>21,971</u>
Expenses		
Management fees, notes 4 and 7	207,205	71,180
Performance fees, notes 4 and 7	-	358,209
Administration fees	24,696	16,566
Legal fees	19,640	3,063
Audit fees	13,426	13,142
Securityholder reporting costs	9,100	17,116
Custodial fees	5,139	20,333
Other expenses	-	116
	<u>279,206</u>	<u>499,725</u>
Net investment loss for the period	<u>(231,656)</u>	<u>(477,754)</u>
Net realized and unrealized gain on investments		
Net realized gain (loss) on sale of investments	(428,818)	441,764
Transaction costs, notes 2 and 6	(32,479)	(40,027)
Change in unrealized appreciation (depreciation) of value of investments	(1,405,816)	1,170,853
Net gain (loss) on investments for the period	<u>(1,867,113)</u>	<u>1,572,590</u>
Increase (decrease) in net assets from operations for the period	\$ (2,098,769)	\$ 1,094,836
Net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ (701,443)	\$ 403,074
Increase (decrease) in net assets from operations per share, Series A	<u>\$ (1.64)</u>	<u>\$ 3.14</u>
Increase (decrease) in net assets from operations, Series B	\$ (1,320,095)	\$ 665,361
Increase (decrease) in net assets from operations per share, Series B	<u>\$ (1.91)</u>	<u>\$ 2.33</u>
Increase (decrease) in net assets from operations, Series F	\$ (77,231)	\$ 26,401
Increase (decrease) in net assets from operations per share, Series F	<u>\$ (1.80)</u>	<u>\$ 1.35</u>

See accompanying notes to the financial statements

Front Street Resource Fund Class
Statement of Changes in Net Assets (unaudited)
For the Periods Ended April 30

Series A	2008	2007
Net assets, beginning of period	\$ 6,061,168	\$ 516,503
Adoption of new accounting policy, note 2	-	(5,965)
Adjusted net assets, beginning of period	6,061,168	510,538
Increase (decrease) in net assets from operations	(701,443)	403,074
Shareholder transactions		
Proceeds from the issuance of shares	1,026,937	1,857,459
Aggregate amounts paid on redemption of shares	(413,811)	-
Net transfer from shares of other funds	193,597	28,255
	806,723	1,885,714
Net increase in net assets for the period	105,280	2,288,788
Net assets, end of period	\$ 6,166,448	\$ 2,799,326
Series B		
Net assets, beginning of the period	\$ 11,827,061	\$ 427,388
Adoption of new accounting policy, note 2	-	(4,960)
Adjusted net assets, beginning of period	11,827,061	422,428
Increase (decrease) in net assets from operations	(1,320,095)	665,361
Shareholder transactions		
Proceeds from the issuance of shares	1,063,588	6,833,369
Aggregate amounts paid on redemption of shares	(2,901,602)	(247,646)
Net transfer from (to) shares of other funds	(86,947)	212,409
	(1,924,961)	6,798,132
Net increase (decrease) in net assets for the period	(3,245,056)	7,463,493
Net assets, end of period	\$ 8,582,005	\$ 7,885,921

Front Street Resource Fund Class
Statement of Changes in Net Assets (unaudited)
For the Periods Ended April 30

Series F

Net assets, beginning of period	\$	734,908	\$	315,811
Adoption of new accounting policy, note 2		-		(3,644)
Adjusted net assets, beginning of period		734,908		312,167
Increase (decrease) in net assets from operations		(77,231)		26,401
Shareholder transactions				
Proceeds from the issuance of shares		248,000		598,678
Aggregate amounts paid on redemption of shares		(446,350)		(36,323)
Net transfer from (to) shares of other funds		24,852		(212,409)
		(173,498)		349,946
Net increase (decrease) in net assets for the period		(250,729)		376,347
Net assets, end of period	\$	484,179	\$	688,514

Total

Net assets, beginning of period	\$	18,623,137	\$	1,259,702
Adoption of new accounting policy, note 2		-		(14,569)
Adjusted net assets, beginning of period		18,623,137		1,245,133
Increase (decrease) in net assets from operations		(2,098,769)		1,094,836
Shareholder transactions				
Proceeds from the issuance of shares		2,338,525		9,289,506
Aggregate amounts paid on redemption of shares		(3,761,763)		(283,969)
Net transfer from shares of other funds		131,502		28,255
		(1,291,736)		9,033,792
Net increase (decrease) in net assets for the period		(3,390,505)		10,128,628
Net assets, end of period	\$	15,232,632	\$	11,373,761

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS
STATEMENT OF INVESTMENT PORTFOLIO (unaudited)
As at April 30, 2008

	Number of Shares/ Units	Cost \$	Fair Value \$
Materials (55.3%)			
Africo Resources Limited Warrants May 23, 2008	6,250	-	-
Agnico-Eagle Mines Limited	8,339	373,855	527,442
Agrium Inc.	3,687	218,486	291,937
Aura Minerals Inc.	250,000	200,000	332,500
Aurora Energy Resources Inc.	18,535	212,536	63,575
Baffinland Iron Mines Corporation	41,000	105,843	130,380
Baffinland Iron Mines Corporation Warrants January 31, 2012	18,000	9,720	18,360
* Berkeley Resources Limited	125,000	218,039	89,124
Brilliant Mining Corporation	72,299	117,597	82,421
* CBH Resources Limited	178,624	100,484	61,131
* Centamin Egypt Limited	120,000	73,392	158,654
Centenario Copper Corporation	20,000	67,983	114,000
Chariot Resources Limited	100,000	78,500	96,000
* Companhia Vale do Rio Doce SA ADR	8,058	319,861	317,866
Eldorado Gold Corporation	10,000	62,000	67,600
European Goldfields Limited	57,094	307,166	307,737
First Quantum Minerals Limited	1,000	56,785	88,420
FNX Mining Company Inc.	9,819	306,518	245,770
* Freeport-McMoRan Copper & Gold Inc.	605	40,927	69,337
Genco Resources Limited	43,000	122,180	79,550
Gold Port Resources Limited Warrants May 23, 2009	62,500	-	-
Goldcorp Inc.	13,500	371,402	483,435
HudBay Minerals Inc.	6,000	111,574	114,000
IAMGOLD Corporation	10,413	102,232	62,686
* Jabiru Metals Limited	248,000	229,651	176,821
Keegan Resources Inc.	39,204	160,736	145,839
Keegan Resources Inc. Warrants May 27, 2009	19,602	-	-
Kodiak Exploration Limited	41,446	147,895	90,767
Liberty Mines Inc. Warrants May 15, 2009	47,745	-	-
* Midwest Corporation Limited	106,274	81,574	630,424
Minera Andes Inc. Restricted	136,660	211,823	174,105
Minera Andes Inc. Warrants December 21, 2009	68,330	-	-
* Murchison Metals Limited	60,000	66,859	257,246
Murgor Resources Inc. Warrants December 14, 2008	250,000	-	-
* Namakwa Diamonds Limited	53,523	199,711	182,538
Norsemont Mining Inc.	38,907	112,830	150,570
Norsemont Mining Inc. Warrants November 15, 2009	28,311	-	10,475
North American Tungsten Corporation Limited	182,500	117,382	211,700
Paladin Energy Limited	35,000	222,837	140,700
* Pangea DiamondFields PLC	134,838	123,663	135,054
Peak Gold Limited Warrants April 3, 2012	75,000	-	10,125
* Petrominerales Limited	11,236	135,394	185,057
Platinum Group Metals Limited	75,000	282,750	178,500
Platmin Limited	20,402	134,481	141,794
Platoro West Holdings Inc. Private Placement	250,000	25,000	25,000
Potash Corporation of Saskatchewan Inc.	728	144,357	134,964
Redcorp Ventures Limited Warrants July 10, 2009	17,510	1,051	350
* Riversdale Mining Limited	22,891	184,571	170,174
Rockwell Diamonds Inc.	400,000	208,000	184,000
Rockwell Ventures Inc. Warrants May 8, 2009	400,000	-	-
Shore Gold Inc.	41,000	240,293	148,830
Silver Bear Resources Inc.	65,310	195,930	144,335
Soho Resources Corporation	300,000	171,600	54,000
Starcore International Ventures Limited Warrants January 18, 2010	100,000	-	-
Thompson Creek Metals Company Inc.	10,500	63,692	227,850
Thompson Creek Metals Company Inc. Warrants October 23, 2011	3,500	10,220	49,630
* Tiger Resources Limited	500,000	186,003	218,650

FRONT STREET RESOURCE FUND CLASS
STATEMENT OF INVESTMENT PORTFOLIO (unaudited)
As at April 30, 2008

	Number of Shares/ Units	Cost \$	Fair Value \$
Materials (55.3%) - continued			
* Tiger Resources Limited Warrants May 31, 2009	250,000	-	-
UEX Corporation	27,000	202,364	91,530
Uranium Participation Corporation	7,112	68,396	60,950
* VANE Minerals PLC	383,398	137,512	78,723
Yamana Gold Inc.	9,128	131,826	117,751
Zacoro Metals Corporation Restricted	45,000	22,500	33,750
Zacoro Metals Corporation Special Warrants	85,054	63,791	63,791
		<u>7,861,772</u>	<u>8,427,918</u>
Energy (35.4%)			
Long Positions (39.1%)			
Addax Petroleum Corporation	6,517	253,686	292,483
* Aim Resources Limited	646,357	177,126	51,000
* Aim Resources Limited Warrants September 28, 2010	198,178	-	-
* Andean Resources Limited	163,158	195,420	247,727
Athabasca Oil Sands Corporation Restricted	34,529	241,703	345,290
BA Energy Inc. Restricted	5,921	54,939	41,447
* Baker Hughes Inc.	1,624	122,587	131,141
* Caledon Resources PLC	114,000	98,282	154,147
Celtic Exploration Limited	9,800	147,000	163,366
* Chaarat Gold Holdings Limited	122,611	142,884	103,158
Changfeng Energy Inc.	149,788	40,873	83,881
Duvernay Oil Corporation	6,000	225,565	288,420
Flint Energy Services Limited	15,000	391,990	337,650
NEMI Northern Energy & Mining Inc.	234,500	170,622	246,225
Niko Resources Limited	4,000	337,179	364,000
OPTI Canada Inc.	10,000	218,296	210,200
Pacific Rubiales Energy Corporation	186,440	148,524	274,067
Pacific Rubiales Energy Corporation Warrants July 12, 2012	53,005	-	30,743
Pegasus Oil and Gas Inc.	100,000	181,000	151,000
Petrobank Energy and Resources Limited	20,082	601,489	975,985
Petro-Canada	2,500	111,905	126,150
Storm Exploration Inc.	25,000	278,751	348,000
Talisman Energy Inc.	8,500	175,552	172,975
* Transocean Inc.	964	148,577	143,302
* Uranerz Energy Corporation Restricted	33,904	81,541	82,805
* Uranerz Energy Corporation Warrants April 15, 2010	16,952	-	-
* Uranium Energy Corporation	44,308	162,504	103,313
* Uranium Energy Corporation Warrants December 12, 2008	37,368	-	-
Vero Energy Inc.	43,000	271,490	377,110
West Energy Limited	35,000	162,400	115,500
		<u>5,141,885</u>	<u>5,961,085</u>
Short Position (-3.7%)			
* Energy Select Sector SPDR	(6,779)	(478,012)	(559,323)
		<u>4,663,873</u>	<u>5,401,762</u>
Consumer Staples (2.3%)			
* ETFs Grains DJ-AIGSM	44,946	277,621	351,151
Transaction costs , notes 2 and 6		<u>(16,933)</u>	<u>-</u>
TOTAL LONG POSITIONS		<u>13,281,278</u>	<u>14,740,154</u>
TOTAL SHORT POSITIONS		<u>(478,012)</u>	<u>(559,323)</u>
Total Investments (93.0%)		<u>\$ 12,786,333</u>	<u>14,180,831</u>
Cash and cash equivalents (8.7%)			1,318,291
Other assets less other liabilities (-1.7%)			<u>(266,490)</u>
Net assets (100.0%)			<u>\$ 15,232,632</u>

* Non Canadian Holdings

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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 April 30, 2008.

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.

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

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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 period ended April 30, 2008 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 GAAP. The CSA had granted relief to investment funds from the requirement to comply with Section 3855, for the purposes of calculating of net asset value used for the investor transactions ("Transactional NAV") to the earlier of (i) September 30, 2008, or (ii) the date on which changes to Section 14.2 of NI 81-106 come into effect. The CSA are currently reviewing the suitability of applying Section 3855 for the purposes other than the preparation of financial statements. Depending on the outcome of such review, the method by which net asset value is calculated may change on October 1, 2008. These financial statements have been prepared on a basis consistent with the proposed amendments including a reconciliation between net assets and net asset value.

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 NAV") 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, 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 NAV. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2008	Net Asset Value			Net Asset Value per Share	
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV
	\$	\$	\$	\$	\$
Series A	6,204,923	(38,475)	6,166,448	13.56	13.48
Series B	8,636,985	(54,980)	8,582,005	13.44	13.36
Series F	487,395	(3,216)	484,179	13.32	13.23
Total Net Asset Value	15,329,303	(96,671)	15,232,632		

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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.
- iii) 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.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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.

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 period.

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 period.

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

APRIL 30, 2008

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 period.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2008

The following shares were issued and redeemed during the periods indicated:

<u>Periods Ended April 30,</u>	<u>2008</u>	<u>2007</u>
Shares outstanding, beginning of the period:		
Series A	400,363	46,587
Series B	787,473	38,543
Series F	49,207	28,244
Shares issued during the period:		
Series A	103,317	160,805
Series B	92,577	567,196
Series F	20,903	45,241
Shares reinvested during the period:		
Series A	-	-
Series B	-	-
Series F	-	-
Shares redeemed during the period:		
Series A	46,105	1,250
Series B	237,655	19,789
Series F	33,519	22,175
Shares outstanding, end of period:		
Series A	457,575	206,142
Series B	642,395	585,950
Series F	36,591	51,310

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

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

(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:

- (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.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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 period ended April 30, 2008 was \$32,479 (2007 - \$40,027).

7. RELATED PARTY TRANSACTIONS

Management fees of \$207,205 (2007 - \$71,180) were paid to the Investment Advisor, a company under common control to the Manager, during the period (see note 4). Performance fees of Nil (2007 - \$358,209) were also paid to the Investment Advisor during the period (see note 4). Included in accrued expenses are \$34,086 (2007 - \$8,455) of management fees payable and Nil (2007 - \$358,209) of performance fees payable to the Investment Advisor.

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 period ended April 30, 2008, Tuscarora Capital Inc, , a company under common control to the Manager, received \$1,197 (2007 - \$3,563) 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. MANAGEMENT OF FINANCIAL RISKS

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests directly. The following is a summary of the main risks:

Credit risk

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds, amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash and transacting its securities activity with large financial institutions. The Fund also invests in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligation when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Net Assets.

As at April 30, 2008, the Fund had no significant investments in debt instruments.

FRONT STREET RESOURCE FUND CLASS

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

8. MANAGEMENT OF FINANCIAL RISKS (Continued)

Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Shareholder redemption requests are the main liquidity risk for the Fund.

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions

Price risk

Price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk on arising from its investments in securities and derivatives. The Investment Advisor manages the Fund's market risk on a daily basis in accordance with the Fund's investment objective and policies.

Price sensitivity

The following details the Fund's sensitivity to 5% increase and decrease in the fair value, with 5% being the sensitivity rate used when reporting price internally to key management personnel and representing management's assessment of possible change in fair value.

At April 30, 2008, if the fair value had been 5% higher with all other variables held constant, the increase in net assets representing shareholders' equity for the period would have been \$709,042 higher, arising due to the increase in the fair value of financial assets at fair value by \$737,008 offset by the increase in the fair value of the financial liabilities at fair value by \$27,966.

If fair value had been 5% lower with all other variables held constant, the decrease in net assets representing shareholders' equity for the period would have been \$709,042 lower, arising mainly due to the decrease in the fair value of financial assets at fair value by \$737,008 set off by decrease in fair value of the financial liabilities at fair value by \$27,966.

Currency risk

The Fund holds assets denominated in currencies other than Canadian Dollars which is the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to change in exchange rates.

Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2008, there were no investments owned which are held in bonds. There were no investments in short-term investments. The remaining portion of the Fund's assets is substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

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8. MANAGEMENT OF FINANCIAL RISKS (Continued)

Capital management

Management considers the Fund's capital to consist of the issued ordinary share capital and the net assets attributable to participating shareholders.

The Investment Advisor manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's offering memorandum, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2007.

The Fund does not have any externally imposed capital requirements.



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