



FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

FRONT STREET RESOURCE FUND

Management Report of Fund Performance

and

Interim Financial Statements

April 30, 2012

Interim Management Report of Fund Performance As at April 30, 2012 Front Street Resource Fund

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 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 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 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 investment objective of the Fund is to maximize capital appreciation by investing in small and medium-sized business entities in a range of natural resource sector industries, including base and precious metal, mineral exploration, and in energy-related industries. The Investment Advisor, Front Street Investment Management Inc., will assist the Fund in selecting investments primarily in equity and equity-related securities, although the Fund may also invest in other securities, including preferred shares, of such resource issuers, including junior resource issuers, in accordance with the investment strategies and guidelines outlined herein, with the objective of achieving capital appreciation for Shareholders. 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 mineral 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 traded in a wide range 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. Market volatility was very high this year, as each recovery seemed to be met by a sell-off. Fears of political and economic events around the world influenced stock market direction.

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 interest rate policy. We also saw sharply higher rates being priced into European bond issues, to compensate the risks inherent in their central banks.

Credit risk was another factor this past year. In the aftermath of the credit crisis banks are only now starting to lend, but with much higher fees attached. Many companies which are relying on debt to finance expansions have had to halt plans as the funds are not currently available.

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 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

After initially starting 2012 on a strong note, resource markets corrected sharply in March and April. Fears of an economic slowdown in China caused investors to flee the commodities sector. GDP growth there slowed to 8.1% in the first quarter, but looking at the statistics we see that the Chinese government had engineered this slowdown in an attempt to rein in inflation. Now that they have accomplished this the government have stated that they are open to monetary and fiscal easing, possibly stimulating growth in the second half of the year.

Fears of Greece continuing to implode and the contagion effects on the rest of Europe also spooked investors. After initially agreeing to another bailout the ECB eventually withheld support until the austerity conditions of the deal were met by Greece. Unfortunately in their recent federal elections no party was able to win a mandate, and many parties had campaigned against massive budget cuts. The Greeks will return to the polls later in June, so we may see some market uneasiness until there is a solution there.

All of this uncertainty led investors to seek the safest investments they could find, shifting massive amount of capital to the US dollar. So even though many commodities, like oil, rose throughout the period investors sold the producing companies. In a strange twist even gold, seen as the ultimate store of value, sold off as investors sought liquidity. We also saw a much greater decline in intermediate to small cap companies, as investors sought the perceived safety of larger capitalized entities.

With the dramatic sell off in resource equities we expect M&A activity to increase. Many companies have been commenting recently that it is now cheaper to buy someone else's production rather than build it themselves. Those companies that have strong balance sheets are starting to buy assets at compelling valuations which will look very attractive when the world comes out of its economic slowdown. It seems as though many smaller issuers may have to curtail expansion plans as the equity raising window has shut.

During the period ended April 30, 2012, the Fund earned investment income of \$155,915 from dividends and interest (net of foreign withholding taxes); investment income of \$406 from security lending. There were net realized losses on the sale of investments of \$19.9 million and an unrealized depreciation on the value of investments of \$7.5 million. Operating expenses, excluding management fees, performance fees and servicing fees, totalled \$311,278 during the period ended April 30, 2012.

RECENT DEVELOPMENTS

Post period end, the effects of China's tight monetary policy started to show as their inflation rate was falling quite dramatically. This should allow them to ease interest rates to help bolster economic growth. We also had a summit of European leaders reach agreement on changes to the EU treaty, mainly aimed at tighter fiscal rules, which may help some of the countries out of their debt crises.

On February 3, 2012, the Fund acquired the net assets of Front Street Flow Through 2010-I Limited Partnership and Front Street Flow Through 2010-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 1.872974 and 1.483177 Series B shares of the Fund for each Partnership unit, respectively.

International Financial Reporting Standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

- a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

RELATED-PARTY TRANSACTIONS

Management fees of \$1,397,110 (April 30, 2011 - \$1,544,708) were paid to the Manager during the period. Servicing fees of \$621,613 (April 30, 2011 - \$806,656) were paid to the Manager during the period. Operating costs of \$33,673 (April 30, 2011 - \$26,472) were paid to the Manager during the period. Performance fees of \$Nil (April 30, 2011 - \$2,087,254) were incurred with the Manager during the period. Included in accrued expenses are \$235,101 (October 31, 2011 - \$221,234) of management fees payable to the Manager. Included in accrued expenses are \$114,595 (October 31, 2011 - \$100,227) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$15,114 (October 31, 2011 - \$3,712) of accrued operating costs payable to the Manager.

162,258.10 (October 31, 2011 – 257,798.22) of series B shares outstanding at period end representing 1.43% (October 31, 2011 – 2.84%) of the total series B shares of the Fund are held by the Partners of the Manager.

963.58 (October 31, 2011 – Nil) of series B shares outstanding at period end representing 0.01% (October 31, 2011 – Nil) of the total series B shares of the Fund are held by the relatives of the Partners of the Manager.

866.94 (October 31, 2011 – 866.94) of series F shares outstanding at period end representing 0.66% (October 31, 2011 – 0.98%) of the total series F shares of the Fund are held by the relatives of the Partners of the Manager.

387,493.93 (October 31, 2011 – 387,493.93) of series L shares outstanding at period end representing 11.02% (October 31, 2011 – 9.84%) of the total series L shares of the Fund are held by the Partners of the Manager.

81,800.00 (October 31, 2011 – 81,800.00) of series L shares outstanding at period end representing 2.33% (October 31, 2011 – 2.00%) of the total series L shares of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of 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. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$Nil (2011 - \$53,793) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs 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 Fund, 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.

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 five financial years. This information is derived from the Fund's audited annual and interim financial statements for the six months ending April 30, 2012.



FRONT STREET Resource Fund

Series A

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾	October 31, 2008 ⁽¹⁾	October 31, 2007 ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Net Assets, beginning of the period	10.76	12.68	8.93	6.22	15.14	10.96
Increase (decrease) from operations:						
Total revenue	0.01	0.03	0.20	0.03	0.06	0.13
Total expenses	(0.16)	(0.64)	(0.55)	(0.34)	(0.50)	(1.12)
Realized gains (losses) for the period	(1.38)	1.71	2.67	0.10	(1.09)	0.89
Unrealized gains (losses) for the period	(0.27)	(3.20)	1.33	2.91	(7.37)	3.87
Total increase (decrease) from operations ⁽²⁾	(1.80)	(2.10)	3.65	2.70	(8.90)	3.77
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	8.96	10.76	12.68	8.93	6.22	15.14

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	3,155	3,842	4,274	3,594	2,701	6,101
Number of shares outstanding ⁽¹⁾	350,803	357,157	335,892	400,753	426,887	400,363
Management expense ratio ⁽²⁾	3.06%	4.92%	5.36%	4.92%	4.01%	8.22%
Management expense ratio before waivers or absorptions	3.06%	4.92%	5.36%	4.92%	4.01%	8.22%
Trading expense ratio ⁽³⁾	0.56%	0.50%	0.37%	0.34%	0.59%	0.71%
Portfolio turnover rate ⁽⁴⁾	61.98%	121.62%	100.06%	88.34%	113.44%	80.56%
Net asset value per share	\$ 8.99	\$ 10.76	\$ 12.72	\$ 8.97	\$ 6.33	\$ 15.24

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.



FRONT STREET Resource Fund

Series B

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾	October 31, 2008 ⁽¹⁾	October 31, 2007 ⁽¹⁾
	\$	\$	\$	\$	\$	\$
Net Assets, beginning of the period	10.17	11.96	8.43	5.90	15.02	10.96
Increase (decrease) from operations:						
Total revenue	0.01	0.02	0.22	0.03	0.06	0.13
Total expenses	(0.15)	(0.59)	(0.51)	(0.32)	(0.51)	(1.19)
Realized gains (losses) for the period	(1.31)	1.74	2.40	0.18	(1.11)	0.87
Unrealized gains (losses) for the period	(0.60)	(3.23)	1.42	2.89	(6.88)	3.45
Total increase (decrease) from operations ⁽²⁾	(2.05)	(2.06)	3.53	2.78	(8.44)	3.26
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	8.47	10.17	11.96	8.43	5.90	15.02

- (1) This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	96,575	92,186	116,476	73,111	3,201	11,906
Number of shares outstanding ⁽¹⁾	11,365,477	9,067,021	9,707,218	8,638,251	533,568	787,473
Management expense ratio ⁽²⁾	3.11%	4.73%	5.29%	4.82%	4.01%	8.77%
Management expense ratio before waivers or absorptions	3.11%	4.73%	5.29%	4.82%	4.01%	8.77%
Trading expense ratio ⁽³⁾	0.56%	0.50%	0.37%	0.34%	0.59%	0.71%
Portfolio turnover rate ⁽⁴⁾	61.98%	121.62%	100.06%	88.34%	113.44%	80.56%
Net asset value per share	\$ 8.50	\$ 10.17	\$ 12.00	\$ 8.46	\$ 6.00	\$ 15.12

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.



FRONT STREET Resource Fund

Series F

The Fund's Net Assets per Share

	April 30 2012 \$	October 31, 2011 ⁽¹⁾ \$	October 31, 2010 ⁽¹⁾ \$	October 31, 2009 ⁽¹⁾ \$	October 31, 2008 ⁽¹⁾ \$	October 31, 2007 ⁽¹⁾ \$
Net Assets, beginning of the period	10.07	11.75	8.29	5.77	14.94	11.05
Increase (decrease) from operations:						
Total revenue	0.01	0.02	0.18	0.03	0.06	0.12
Total expenses	(0.10)	(0.45)	(0.49)	(0.32)	(0.52)	(1.51)
Realized gains (losses) for the period	(1.27)	1.25	2.47	0.27	(1.12)	0.97
Unrealized gains (losses) for the period	(0.12)	(3.26)	1.08	2.14	(7.70)	1.05
Total increase (decrease) from operations⁽²⁾	(1.48)	(2.44)	3.24	2.12	(9.28)	0.63
Distributions to Shareholders:						
From income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	—	—	—	—
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—	—
Net Assets, end of the period	8.43	10.07	11.75	8.29	5.77	14.94

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- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	1,117	1,637	1,045	397	239	740
Number of shares outstanding ⁽¹⁾	132,026	162,639	88,668	47,677	40,661	49,207
Management expense ratio ⁽²⁾	2.10%	3.81%	5.12%	4.73%	4.15%	12.89%
Management expense ratio before waivers or absorptions	2.10%	3.81%	5.12%	4.73%	4.15%	12.89%
Trading expense ratio ⁽³⁾	0.56%	0.50%	0.37%	0.34%	0.59%	0.71%
Portfolio turnover rate ⁽⁴⁾	61.98%	121.62%	100.06%	88.34%	113.44%	80.56%
	\$	\$	\$	\$	\$	\$
Net asset value per share	8.46	10.07	11.79	8.32	5.87	15.04

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.



FRONT STREET Resource Fund

Series
L

The Fund's Net Assets per Share

	April 30, 2012 \$	For the period from commencement of operations on February 28, 2011 to October 31, 2011 ⁽¹⁾ \$
Net Assets, beginning of the period	11.49	15.94
Increase (decrease) from operations:		
Total revenue	0.01	0.02
Total expenses	(0.17)	(0.30)
Realized gains (losses) for the period	(1.45)	—
Unrealized gains (losses) for the period	(0.26)	(4.27)
Total increase (decrease) from operations ⁽²⁾	(1.87)	(4.55)
Distributions to Shareholders:		
From income (excluding dividends)	—	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total distributions to Shareholders ⁽³⁾	—	—
Net Assets, end of the period	9.56	11.49

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- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	33,747	46,939
Number of shares outstanding ⁽¹⁾	3,516,193	4,088,336
Management expense ratio ⁽²⁾	3.10%	3.40%
Management expense ratio before waivers or absorptions	3.10%	3.40%
Trading expense ratio ⁽³⁾	0.56%	0.50%
Portfolio turnover rate ⁽⁴⁾	61.98%	121.62%
Net asset value per share	\$ 9.60	\$ 11.48

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.



FRONT STREET Resource Fund

Series X

The Fund's Net Assets per Share ⁽¹⁾

For the period
from commencement of
operations on January 26,
2012
to April 30, 2012
\$

	*
Net Assets, beginning of the period	10.55
Increase (decrease) from operations:	
Total revenue	—
Total expenses	(0.07)
Realized gains (losses) for the period	(0.89)
Unrealized gains (losses) for the period	(0.63)
Total increase (decrease) from operations ⁽²⁾	(1.59)
Distributions to Shareholders:	
From income (excluding dividends)	—
From dividends	—
From capital gains	—
Return of capital	—
Total distributions to Shareholders ⁽³⁾	—
Net Assets, end of the period	8.97

- (1) This information is derived from the Fund's interim unaudited financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
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- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	9
Number of shares outstanding ⁽¹⁾	947
Management expense ratio ⁽²⁾	2.59%
Management expense ratio before waivers or absorptions	2.59%
Trading expense ratio ⁽³⁾	0.56%
Portfolio turnover rate ⁽⁴⁾	61.98%
Net asset value per share	\$ 9.01

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (4) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

* Initial price

MANAGEMENT & PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.5 % of the net asset value of Series A, Series B, Series F and Series X shares and 1/12 of 2.1% of the net asset value of Series L shares 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 Fund's 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 Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

The Fund pays 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 year. 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 S&P/TSX Paper & Forest Products Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Materials Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Energy Index. The fee is 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.

DEALER COMPENSATION

Brokers, dealers and advisors may be paid a “trailer commission” for assets that their sales representatives place in the Series A, Series B, Series L and Series X 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 monthly at rates set within ranges according to the following table.

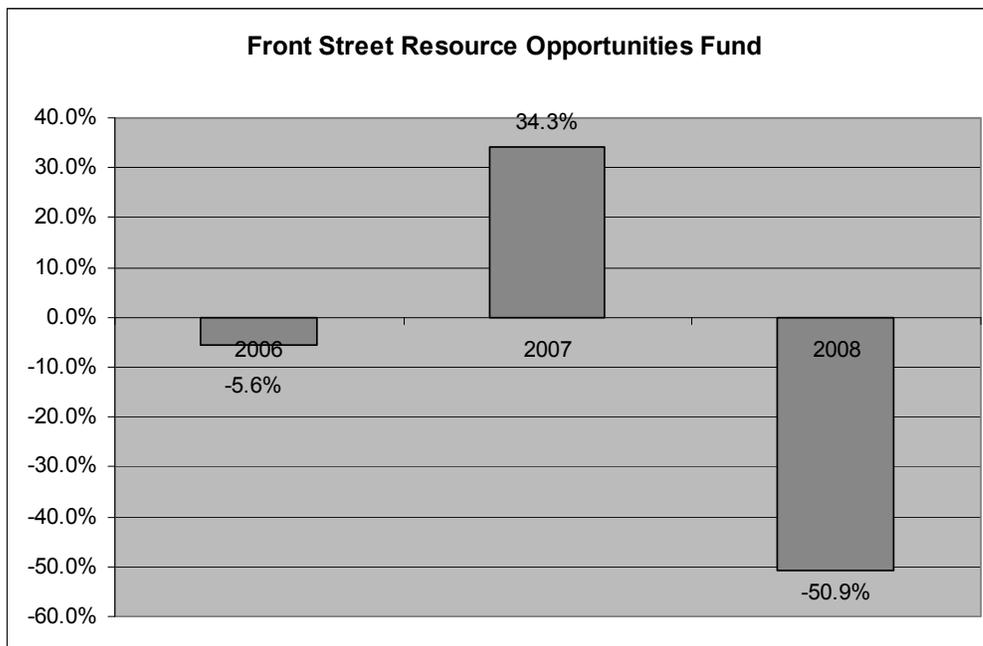
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
L	0.40%	\$4.00
X	0.50%	\$5.00

PAST PERFORMANCE

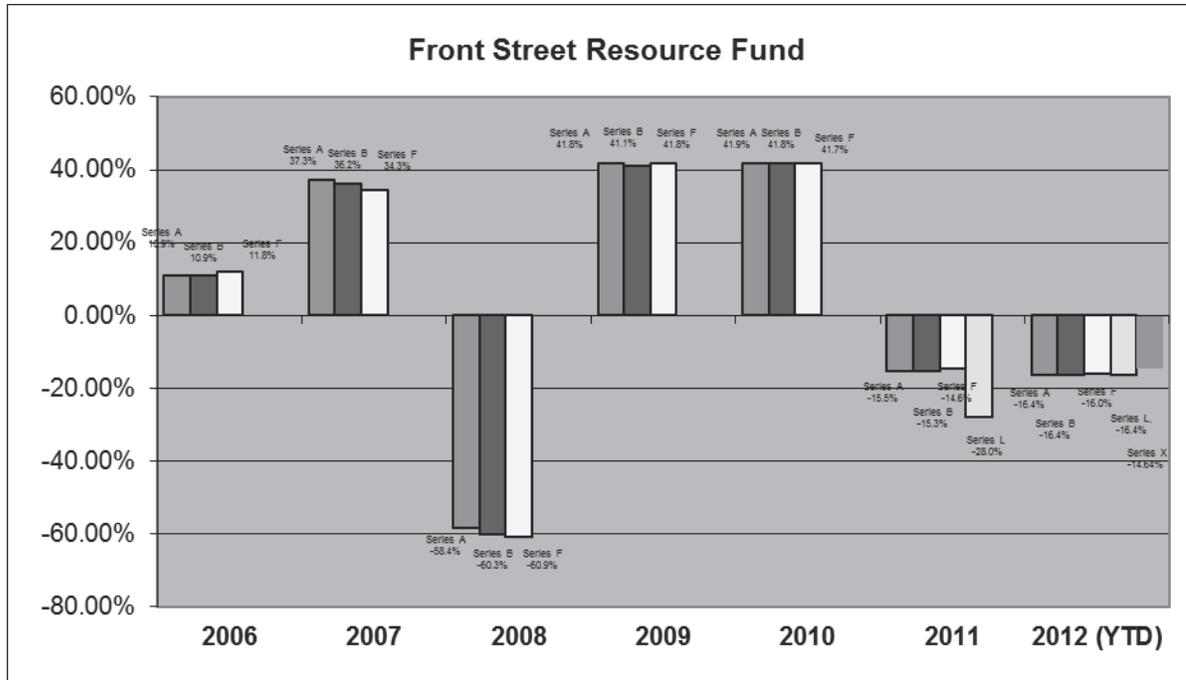
The past performance of the Fund is set out below and includes year-by-year returns.

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.



The above chart is the year-by year returns for Front Street Resource Opportunities Fund, a class of Front Street Opportunity Funds Ltd. The Fund was merged with the continuing Fund being Front Street Resource Fund on November 1, 2008.



The above chart is the year-by year returns for Front Street Resource Fund, a class of Front Street Mutual Funds Ltd. The Fund was merged with the discontinuing Fund being Front Street Resource Opportunities Fund on November 1, 2008 and fund performance for the discontinued fund has not been included in the chart above in the 2008 period.

SUMMARY OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2012

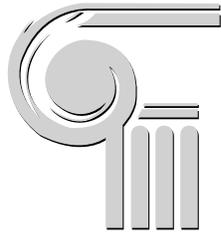
Portfolio by Category

	Percentage of Transactional Net Asset Value
Long Positions	
Energy	38.3%
Materials	36.9%
Australia	14.2%
United States	3.6%
Cayman Islands	3.0%
Bermuda	1.8%
Cash and cash equivalents	1.7%
British Virgin Island	0.0%
Short Positions	
Energy	-0.2%
Other	0.7%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
Laricina Energy Limited	5.1%
Athabasca Oil Sands Corporation	3.6%
Tiger Resources Limited	3.5%
Labrador Iron Mines Holdings Limited	3.3%
Coastal Energy Company	3.0%
Sandfire Resources NL	2.7%
Talison Lithium Limited	2.6%
Antrim Energy Inc.	2.4%
Griffiths Energy International Inc.	2.3%
Second Wave Petroleum Inc.	2.1%
Parex Resources Inc.	2.0%
Regis Resources Limited	1.9%
Premier Gold Mines Limited	1.9%
Mincore Inc. Private Placement	1.9%
Orbite Aluminae Inc.	1.9%
B2Gold Corporation	1.8%
Petra Diamonds Limited	1.8%
Bellatrix Exploration Limited	1.7%
Papillon Resources Limited	1.7%
Clean Energy Fuels Corporation	1.5%
Crew Energy Inc.	1.5%
Oceanic Iron Ore Corporation	1.5%
Lundin Mining Corporation	1.4%
Hana Mining Limited	1.4%
Century Iron Mines Corporation	1.4%
	55.9%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$134,602

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund.



FRONT STREET Resource Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET RESOURCE FUND

FOR THE SIX MONTHS ENDED APRIL 30, 2012

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund in accordance with standards established by the Canadian Institute of Chartered Accountants. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

FRONT STREET RESOURCE FUND

**STATEMENT OF NET ASSETS
AS AT APRIL 30, 2012 (UNAUDITED) AND OCTOBER 31, 2011 (AUDITED)**

	2012	2011
	(Unaudited)	(Audited)
ASSETS		
Investments, at fair value		
(cost - \$155,003,235; 2011-\$161,201,689)	\$ 131,112,730	\$ 144,849,925
Accounts receivable relating to portfolio assets sold	3,482,260	143,069
Cash and cash equivalents	2,261,965	1,765,705
Accounts receivable relating to shares issued	15,400	48,719
Amounts receivable relating to accrued income	—	2,126
	<u>\$ 136,872,355</u>	<u>\$ 146,809,544</u>
LIABILITIES		
Accounts payable relating to shares redeemed	\$ 935,791	\$ 504,013
Accrued expenses	828,155	722,362
Liabilities for portfolio assets purchased	759,697	143,967
Obligations from portfolio assets sold short, at fair value	213,675	753,841
	<u>2,737,318</u>	<u>2,124,183</u>
Net assets representing shareholders' equity	<u>\$ 134,135,037</u>	<u>\$ 144,685,361</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 3,144,306	\$ 3,844,319
Shares outstanding, Series A, note 3	350,803	357,157
Net assets per share, Series A	<u>\$ 8.96</u>	<u>\$ 10.76</u>
Net assets, Series B	\$ 96,239,110	\$ 92,237,399
Shares outstanding, Series B, note 3	11,365,477	9,067,021
Net assets per share, Series B	<u>8.47</u>	<u>10.17</u>
Net assets, Series F	\$ 1,112,853	\$ 1,638,374
Shares outstanding, Series F, note 3	132,026	162,639
Net assets per share, Series F	<u>\$ 8.43</u>	<u>\$ 10.07</u>
Net assets, Series L	\$ 33,630,272	\$ 46,965,269
Shares outstanding, Series L, note 3	3,516,193	4,088,336
Net assets per share, Series L	<u>\$ 9.56</u>	<u>\$ 11.49</u>
Net assets, Series X	\$ 8,496	\$ —
Shares outstanding, Series X, note 3	947	—
Net assets per share, Series X	<u>\$ 8.97</u>	<u>\$ —</u>

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



Gary P. Selke
Chief Executive Officer and Director



Susan Johnson
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND

**STATEMENT OF OPERATIONS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011 (UNAUDITED)**

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
	(Unaudited)	(Unaudited)
Investment income		
Dividends	\$ 154,347	\$ 144,382
Interest	2,369	15,177
Securities lending income	406	—
Less: Foreign withholding taxes	(801)	(9,148)
	<u>156,321</u>	<u>150,411</u>
Expenses		
Management fees, notes 4 and 7	\$ 1,397,110	\$ 1,544,708
Servicing fees, notes 4 and 7	621,613	806,656
Administration fees	200,009	152,632
Operating costs, notes 4 and 7	33,673	26,472
Legal fees	27,349	15,068
Audit fees	24,863	22,417
Securityholder reporting costs	19,891	29,778
Independent review committee	3,183	3,188
Compensatory dividends	2,310	—
Performance fees, notes 4 and 7	—	2,087,254
Custodial fees	—	21,436
Capital tax	—	11,901
	<u>2,330,001</u>	<u>4,721,510</u>
Net investment loss for the period	<u>(2,173,680)</u>	<u>(4,571,099)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	(19,872,370)	24,997,075
Transaction costs, notes 6 and 7	(425,207)	(587,766)
Change in the unrealized appreciation (depreciation) of the value of investments	(7,525,916)	(12,805,809)
Net gain (loss) on investments for the period	<u>(27,823,493)</u>	<u>11,603,500</u>
Net increase (decrease) in net assets from operations for the period	<u>\$ (29,997,173)</u>	<u>\$ 7,032,401</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ (636,107)	\$ 464,118
Increase (decrease) in net assets from operations per share, Series A	<u>\$ (1.80)</u>	<u>\$ 1.24</u>
Increase (decrease) in net assets from operations, Series B	\$ (22,012,012)	\$ 10,823,536
Increase (decrease) in net assets from operations per share, Series B	<u>\$ (2.05)</u>	<u>\$ 0.99</u>
Increase (decrease) in net assets from operations, Series F	\$ (222,703)	\$ 102,421
Increase (decrease) in net assets from operations per share, Series F	<u>\$ (1.48)</u>	<u>\$ 0.95</u>
Decrease in net assets from operations, Series L	\$ (7,124,847)	\$ (4,357,674)
Decrease in net assets from operations per share, Series L	<u>\$ (1.87)</u>	<u>\$ (0.93)</u>
Decrease in net assets from operations, Series X	\$ (1,504)	\$ —
Decrease in net assets from operations per share, Series X	<u>\$ (1.59)</u>	<u>\$ —</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011 (UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series A		
Net assets, beginning of period	\$ 3,844,319	\$ 4,259,207
Net increase (decrease) in net assets from operations	<u>(636,107)</u>	<u>464,118</u>
Shareholder transactions		
Proceeds from the issuance of shares	144,425	1,538,674
Aggregate amounts paid on the redemption of shares	<u>(208,331)</u>	<u>(517,747)</u>
	<u>(63,906)</u>	<u>1,020,927</u>
Net increase (decrease) in net assets for the period	<u>(700,013)</u>	<u>1,485,045</u>
Net assets, end of period	<u>\$ 3,144,306</u>	<u>\$ 5,744,252</u>
Series B		
Net assets, beginning of period	\$ 92,237,399	\$ 116,076,117
Net increase (decrease) in net assets from operations	<u>(22,012,012)</u>	<u>10,823,536</u>
Shareholder transactions		
Proceeds from the issuance of shares	89,531,137	114,574,670
Aggregate amounts paid on the redemption of shares	<u>(63,517,414)</u>	<u>(97,028,889)</u>
	<u>26,013,723</u>	<u>17,545,781</u>
Net increase in net assets for the period	<u>4,001,711</u>	<u>28,369,317</u>
Net assets, end of period	<u>\$ 96,239,110</u>	<u>\$ 144,445,434</u>

FRONT STREET RESOURCE FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011 (UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series F		
Net assets, beginning of period	\$ 1,638,374	\$ 1,041,979
Net increase (decrease) in net assets from operations	(222,703)	102,421
Shareholder transactions		
Proceeds from the issuance of shares	111,214	750,726
Aggregate amounts paid on the redemption of shares	(414,032)	(275,596)
	(302,818)	475,130
Net increase (decrease) in net assets for the period	(525,521)	577,551
Net assets, end of period	\$ 1,112,853	\$ 1,619,530
Series L		
Net assets, beginning of period	\$ 46,965,269	\$ —
Net decrease in net assets from operations	(7,124,847)	(4,357,674)
Shareholder transactions		
Proceeds from the issuance of shares	—	76,607,929
Aggregate amounts paid on the redemption of shares	(6,210,150)	(3,332,390)
	(6,210,150)	73,275,539
Net increase (decrease) in net assets for the period	(13,334,997)	68,917,865
Net assets, end of period	\$ 33,630,272	\$ 68,917,865
Series X		
Net assets, beginning of period	\$ —	\$ —
Net decrease in net assets from operations	(1,504)	—
Shareholder transactions		
Proceeds from the issuance of shares	10,000	—
Aggregate amounts paid on the redemption of shares	—	—
	10,000	—
Net increase in net assets for the period	8,496	—
Net assets, end of period	\$ 8,496	\$ —

FRONT STREET RESOURCE FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011 (UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Total		
Net assets, beginning of period	\$ 144,685,361	\$ 121,377,303
Net increase (decrease) in net assets from operations	<u>(29,997,173)</u>	<u>7,032,401</u>
Shareholder transactions		
Proceeds from the issuance of shares	89,796,776	193,471,999
Aggregate amounts paid on the redemption of shares	<u>(70,349,927)</u>	<u>(101,154,622)</u>
	<u>19,446,849</u>	<u>92,317,377</u>
Net increase (decrease) in net assets for the period	<u>(10,550,324)</u>	<u>99,349,778</u>
Net assets, end of period	<u>\$ 134,135,037</u>	<u>\$ 220,727,081</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Long Positions (97.8%)			
Energy (38.3%)			
Andora Energy Corporation	332,107	\$ 895,998	\$ 239,117
Antrim Energy Inc.	3,970,725	4,601,864	3,295,702
Arcan Resources Limited	467,145	2,491,776	1,649,022
Athabasca Oil Sands Corporation	419,485	5,299,232	4,836,662
Bellatrix Exploration Limited	550,000	2,651,000	2,304,500
C&C Energia Limited	176,890	2,359,713	1,301,910
Canacol Energy Limited	2,000,000	1,339,900	1,520,000
CanElson Drilling Inc.	387,750	1,841,813	1,803,038
Canyon Services Group Inc.	154,445	1,285,491	1,714,340
Crew Energy Inc.	288,101	3,260,510	2,010,945
DeeThree Exploration Limited	330,000	1,069,200	1,511,400
Estrella International Energy Services Limited Warrants March 3, 2015	344,128	-	7,180
Fission Energy Corporation	1,095,000	908,850	711,750
Griffiths Energy International Inc.	75,000	375,000	450,000
Griffiths Energy International Inc. Private Placement	50,000	125,000	300,000
Griffiths Energy International Inc. Restricted	392,500	1,750,000	2,355,000
Laricina Energy Limited	71,500	2,609,750	2,145,000
Laricina Energy Limited Private Placement	156,600	4,288,293	4,697,999
Lipari Energy Inc.	824,521	1,503,208	222,621
Lipari Energy Inc. Warrants March 11, 2014	301,399	1,104	1,507
Manitok Energy Inc.	685,339	1,178,783	945,768
New Zealand Energy Corporation	348,800	1,046,400	1,004,544
Parex Resources Inc.	499,113	3,953,765	2,675,246
Precision Drilling Corporation	162,922	1,536,662	1,482,590
Renegade Petroleum Limited	514,912	1,972,113	1,833,087
Royal Coal Corporation Warrants February 23, 2013	3,617,762	736	18,089
Second Wave Petroleum Inc.	952,776	2,334,338	2,782,106
Southern Pacific Resource Corporation	1,088,700	1,717,264	1,709,259
Triaxon Oil Corporation	655,000	982,500	982,500
TriOil Resources Limited 'A'	426,418	1,309,103	1,206,763
Tuscany International Drilling Inc.	1,886,754	2,950,652	1,320,728
Whitecap Resources Inc.	172,980	1,517,032	1,529,140
Yangarra Resources Limited	2,155,101	1,012,897	797,387
		\$ 60,169,947	\$ 51,364,900
Materials (36.9%)			
Adriana Resources Inc.	1,177,300	\$ 1,295,030	\$ 1,000,705
Alacer Gold Corporation	191,355	637,392	1,525,099
Amerix Precious Metals Corporation	2,417,574	530,268	157,142
Amerix Precious Metals Corporation Warrants December 22, 2013	1,171,822	-	52,816
B2Gold Corporation	659,988	1,214,062	2,422,156
Barisan Gold Corporation	1,433,938	620,480	265,279
Barisan Gold Corporation Warrants September 26, 2013	358,485	-	22,045
Barrick Gold Corporation	40,930	1,897,569	1,633,926
Calibre Mining Corporation	1,500,000	772,500	330,000
Century Iron Mines Corporation	994,989	2,545,219	1,830,780
Champion Minerals Inc.	1,049,480	1,784,309	1,437,788
Colonial Coal International Corporation	719,278	790,267	791,206
Colonial Coal International Corporation Warrants October 7, 2013	1,206,560	262,248	392,364
Colossus Minerals Inc.	273,395	2,249,465	1,257,617
Duran Ventures Inc.	7,686,441	1,518,614	691,780
Duran Ventures Inc. Warrants December 23, 2012	3,993,220	187,779	47,639
East Asia Minerals Corporation	2,024,847	3,914,719	637,827
East Asia Minerals Corporation Warrants December 15, 2013	1,913,745	-	151,203

FRONT STREET RESOURCE FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Entree Gold Inc.	752,500	940,625	790,125
Flemish Gold Corporation	620,095	465,071	496,076
Focus Metals Inc. Warrants May 13, 2013	1,807,089	52,460	397,560
Galway Resources Limited Warrants January 13, 2013	565,366	49,882	83,386
Ginguro Exploration Inc.	741,800	103,852	63,053
Ginguro Exploration Inc. Warrants December 11, 2012	416,666	-	-
Gold Canyon Resources Inc. Warrants October 29, 2012	350,000	354,207	200,271
Hana Mining Limited	1,385,625	2,184,031	1,884,450
Homestake Resource Corporation Warrants September 10, 2012	1,000,000	-	12,243
IAMGOLD Corporation	136,477	2,380,159	1,660,925
Labrador Iron Mines Holdings Limited	968,939	7,281,808	4,495,876
Lumina Copper Corporation	130,421	1,564,153	1,698,081
Lundin Mining Corporation	399,705	2,078,549	1,918,584
Mincore Inc. Private Placement	3,583,213	1,145,803	2,508,249
Namibia Rare Earths Inc.	2,846,716	1,795,346	1,281,022
Nemaska Exploration Inc. Warrants November 2, 2012	1,000,000	-	23,519
New Gold Inc.	94,820	1,165,338	851,484
North Country Gold Corporation	2,000,000	1,680,000	720,000
Oceanic Iron Ore Corporation	5,092,944	2,652,716	1,986,248
Orbite Aluminae Inc.	1,220,890	3,647,730	2,502,825
Orbite Aluminae Inc. Warrants July 7, 2012	468,995	-	-
Paget Minerals Corporation Warrants June 30, 2012	1,000,000	-	1
Passport Potash Inc. Restricted	2,500,000	450,000	563,500
Passport Potash Inc. Warrants January 11, 2013	1,250,000	-	91,006
Potash Corporation of Saskatchewan Inc.	37,600	1,641,744	1,577,696
Premier Gold Mines Limited	534,206	2,962,244	2,553,505
Quia Resources Inc. Warrants December 22, 2012	375,000	-	-
Quia Resources Inc. Warrants January 5, 2013	1,555,559	-	10,996
Quia Resources Incorporation	1,259,159	621,084	138,507
Rockex Limited	555,555	238,889	163,889
Rockex Mining Corporation Warrants August 3, 2012	1,111,111	-	1
Roxgold Inc.	952,600	1,792,260	981,178
Royal Nickel Corporation Warrants December 16, 2012	200,000	14,000	4,000
Salazar Resources Limited Warrants September 10, 2012	72,025	-	-
SEMAFO Inc.	156,912	1,436,542	779,853
Shear Diamonds Limited Warrants August 27, 2012	769,229	-	1
Silver Wheaton Corporation	50,000	2,223,165	1,504,500
Sirocco Mining Inc.	1,863,517	2,107,352	1,379,003
Sona Resources Corporation Warrants December 22, 2012	300,000	-	82,757
Taku Gold Corporation Warrants December 3, 2012	835,000	-	1
Temex Resources Corporation	783,514	211,549	105,774
Trevali Mining Corporation	1,000,000	1,295,499	1,250,000
		<u>\$ 64,755,979</u>	<u>\$ 49,407,517</u>

Global Equities

Australia (14.2%)

Goldminex Resources Limited	1,981,986	\$ 852,556	\$ 148,893
Mawson West Limited	1,646,182	2,825,952	1,563,873
Papillon Resources Limited	1,878,005	1,342,864	2,261,166
Perseus Mining Limited	260,933	772,362	699,300
Regis Resources Limited	597,700	2,534,579	2,583,345
Sandfire Resources NL	452,861	2,201,080	3,588,439
Talison Lithium Limited	1,065,678	6,187,609	3,474,110
Tiger Resources Limited	13,517,266	5,009,633	4,729,527
		<u>\$ 21,726,635</u>	<u>\$ 19,048,653</u>

FRONT STREET RESOURCE FUND

**STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Bermuda (1.8%)			
Petra Diamonds Limited	979,418	\$ 1,997,790	\$ 2,436,410
British Virgin Island (0.0%)			
Frontier Rare Earths Limited Warrants November 30, 2012	159,156	\$ 61,301	\$ 796
Cayman Islands (3.0%)			
Coastal Energy Company	246,428	\$ 1,179,354	\$ 3,994,598
United States (3.6%)			
Clean Energy Fuels Corporation	107,000	\$ 2,062,858	\$ 2,034,056
Joy Global Inc.	22,700	1,678,002	1,587,416
Oilsands Quest Inc.	136,000	162,916	23,191
Uranium Energy Corporation	416,700	1,208,453	1,215,193
		<u>\$ 5,112,229</u>	<u>\$ 4,859,856</u>
Total Long Positions (97.8%)		<u>\$ 155,003,235</u>	<u>\$ 131,112,730</u>
Short Positions			
Energy (-0.2%)			
Longview Oil Corporation	(23,100)	\$ (236,184)	\$ (213,675)
Total Short Positions		<u>\$ (236,184)</u>	<u>\$ (213,675)</u>
Transaction costs, note 2		<u>112,915</u>	
Total Investments (97.6%)		<u>\$ 154,879,966</u>	<u>\$ 130,899,055</u>
Cash and cash equivalents (1.7%)			2,261,965
Other assets less other liabilities (0.7%)			974,017
Net assets (100.0%)			<u>\$ 134,135,037</u>

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

1. THE FUND

Front Street Resource Fund (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. Series L commenced operations on February 28, 2011. Series X commenced operations on January 26, 2012.

On December 10, 2009, the Fund acquired Brompton 2008 Flow-Through LP on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 1.451704 Series B shares of the Fund on each Partnership unit.

The net assets of the Brompton 2008 Flow-Through LP acquired were as follows:

Total assets	\$	3,814,006
Total liabilities		-
Net assets representing partners' equity		3,814,006

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>430,882</u>	<u>\$ 3,814,006</u>

On February 4, 2010, the Fund acquired the net assets of Front Street Flow Through 2008-I Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 2.385013 Series B shares of the Fund for each Partnership unit.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

1. THE FUND (Continued...)

The net assets of the Front Street Flow Through 2008-I Limited Partnership acquired were as follows:

Total assets	\$ 98,036,444
Total liabilities	356,199
Net assets representing partners' equity	97,680,245

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>10,575,684</u>	<u>\$ 97,680,245</u>

On February 28, 2011, the shareholders of Front Street Mutual Funds Limited (the "Corporation") approved the special resolutions to authorize the amalgamation of the Corporation with Front Street Resource Performance Fund Ltd., another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on February 28, 2011. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Upon amalgamation, Front Street Mutual Funds Limited was considered to be the continuing fund for security regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, namely Series L of Front Street Resource Fund. Existing shareholders of Front Street Resource Performance Fund Ltd. received one share of Series L of Front Street Resource Fund class of shares of Front Street Mutual Funds Limited.

The transactional net asset value of the Front Street Resource Performance Limited acquired was as follows:

Total assets	\$ 82,407,507
Total liabilities	5,799,578
Transactional NAV	76,607,929

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series L	4,804,892	\$ 76,607,929

On February 3, 2011, the Fund acquired the net assets of Front Street Flow Through 2009-I Limited Partnership and Front Street Flow Through 2009-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 2.517111 Series B shares of the Fund for each Front Street Flow Through 2009-I Limited Partnership unit and 2.260165 Series B shares of the Fund for each Front Street Flow Through 2009-II Limited Partnership unit respectively.

The net assets of the Front Street Flow Through 2009-I Limited Partnership acquired were as follows:

Total assets	\$ 61,515,366
Total liabilities	4,685,160
Net assets representing partners' equity	56,830,206

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

1. **THE FUND** (Continued...)

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	3,984,592	\$ 56,830,206

The net assets of the Front Street Flow-Through 2009-II Limited Partnership acquired were as follows:

Total assets	\$ 43,411,167
Total liabilities	1,850,581
Net assets representing partners' equity	41,560,586

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	2,913,981	\$ 41,560,586

On February 3, 2012, the Fund acquired the net assets of Front Street Flow-Through 2010-I Limited Partnership and Front Street Flow-Through 2010-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 1.872974 Series B shares of the Fund for each Front Street Flow Through 2010-I Limited Partnership unit and 1.483177 Series B shares of the Fund for each Front Street Flow Through 2010-II Limited Partnership unit respectively.

The net assets of the Front Street Flow Through 2010-I Limited Partnership acquired were as follows:

Total assets	\$ 70,253,432
Total liabilities	294,842
Net assets representing partners' equity	70,548,274

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	6,760,782	70,548,274

The net assets of the Front Street Flow-Through 2010-II Limited Partnership acquired were as follows:

Total assets	\$ 18,424,096
Total liabilities	148,077
Net assets representing partners' equity	18,572,173

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	1,779,812	18,572,173

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

1. THE FUND (Continued...)

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, 2012.

Front Street Capital 2004 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. RBC Dominion Securities Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The Fund's investment objective is to maximize capital appreciation by investing in small and medium-sized business entities in a range of natural resource sector industries, including base and precious metals, mineral exploration, and in energy-related industries. The Investment Advisor will assist the Fund in selecting investments primarily in equity and equity-related securities, although the Fund may also invest in other securities, including preferred shares, of such resource issuers, including junior resource issuers, in accordance with the investment strategies and guidelines. Such investments may include short selling of securities which the Investment Advisor believes are overvalued.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Investments, at fair value and obligations from portfolio assets sold short, at fair value are classified as held for trading. Accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, amounts receivable relating to accrued income and other receivable are classified as loans and receivables. Performance fees payable, accounts payable relating to shares redeemed and accrued expenses are classified as other financial liabilities.

In June 2008, the Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. These changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 8) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP. The changes are effective September 8, 2008 and have been reflected in these financial statements.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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 (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraph (i) 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.

iii) 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.

iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of trading on the financial statement date.

v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. 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.

vi) 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.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments Presentation. These standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 9 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See note 11 for additional details.

d) Transaction costs

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.

e) 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.

f) 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 weighted average cost of the securities on disposition.

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

g) 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.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

h) Net increase (decrease) in net assets from operations per share

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

i) Net assets per share

The net assets per share are 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.

j) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 10 for additional details.

k) General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Manager of the Fund has made this assessment and concluded that there are currently no material uncertainties that cast doubt on the Fund's ability to continue as a going concern.

l) 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 amounts 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. Significant estimates include the fair value of the Fund's investment in private companies and the fair value of the Fund's investment in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) Future accounting pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, which have a potential implication for the Fund, are as follows:

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and the following areas of differences have been identified:

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- (b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

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 5% 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.

Series L shares

Switch fees payable to the Manager would be applicable upon the conversion of this shares on or prior to October 31, 2013, to compensate the Manager, in part, for paying the agent's fees and the expenses of the Front Street Resources Performance Fund Limited initial public offering and additional offerings, until such time as the Manager has received the cost recovery amount. The charge per share is as follows:

Redemption date occurring	Chare per share
November 1, 2010 to October 31, 2011	\$0.40
November 1, 2011 to October 31, 2012	\$0.35
November 1, 2012 to October 31, 2013	\$0.30
On or after November 1, 2013	\$Nil

Series X 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 5% applies to shares of this series sold within the first year following acquisition. A redemption fee of 3% applies to shares of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to shares of this series sold within the third year following acquisition. No redemption fee applies to shares of this series sold after the third year following acquisition.

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

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

3. SHARES ISSUED AND OUTSTANDING (Continued...)

The following share transactions took place during the period:

	November 1, 2011 to April 30, 2012	November 1, 2010 to April 30, 2011
Shares outstanding, beginning of the period:		
Series A	357,157	335,892
Series B	9,067,021	9,707,218
Series F	162,639	88,668
Series L	4,088,336	-
Series X	-	-
Shares issued during the period:		
Series A	13,431	107,639
Series B	8,582,206	8,179,716
Series F	11,379	55,344
Series L	-	4,804,891
Series X	947	-
Shares redeemed during the period:		
Series A	19,785	35,904
Series B	6,283,750	7,033,183
Series F	41,992	20,603
Series L	572,143	221,200
Series X	-	-
Shares outstanding, end of the period:		
Series A	350,803	407,627
Series B	11,365,477	10,853,751
Series F	132,026	123,409
Series L	3,516,193	4,583,691
Series X	947	-

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.5 % of the net asset value of Series A, Series B, Series F and Series X shares and 1/12 of 2.1% of the net asset value of Series L shares of the Fund calculated and paid at the end of each month in arrears from each Fund series.

The Fund pays a monthly service fee of 1/12 of 1% of the net asset value of the Series A and Series B shares and 1/12 of 0.40% of the net asset value of Series L shares calculated and paid at the end of each month in arrears. The Fund pays a monthly service fee of 1/12 of 0.50% of the net asset value of Series X shares calculated and paid at the end of each month.

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 Fund's 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 Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

The Fund pays 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 S&P/TSX Paper & Forest Products Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Materials Index plus 25% of the percentage gain or loss of the S&P/TSX Diversified Energy Index. The fee is 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, 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. 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 shares 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.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

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

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.

The Fund may be subject to provincial capital taxes.

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, 2012 was \$425,207 (April 30, 2011 - \$587,766).

7. RELATED PARTY TRANSACTIONS

Management fees of \$1,397,110 (April 30, 2011 - \$1,544,708) were paid to the Manager during the period (see note 4). Servicing fees of \$621,613 (April 30, 2011 - \$806,656) were paid to the Manager during the period (see note 4). Operating costs of \$33,673 (April 30, 2011 - \$26,472) were paid to the Manager during the period (see note 4). Performance fees of \$Nil (April 30, 2011 - \$2,087,254) were incurred with the Manager during the period (see note 4). Included in accrued expenses are \$235,101 (October 31, 2011 - \$221,234) of management fees payable to the Manager. Included in accrued expenses are \$114,595 (October 31, 2011 - \$100,227) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$15,114 (October 31, 2011 - \$3,712) of accrued operating costs payable to the Manager.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

7. RELATED PARTY TRANSACTIONS (Continued....)

162,258.10 (October 31, 2011 – 257,798.22) of series B shares outstanding at period end representing 1.43% (October 31, 2011 – 2.84%) of the total series B shares of the Fund are held by the Partners of the Manager.

963.58 (October 31, 2011 – Nil) of series B shares outstanding at period end representing 0.01% (October 31, 2011 – Nil) of the total series B shares of the Fund are held by the relatives of the Partners of the Manager.

866.94 (October 31, 2011 – 866.94) of series F shares outstanding at period end representing 0.66% (October 31, 2011 – 0.98%) of the total series F shares of the Fund are held by the relatives of the Partners of the Manager.

387,493.93 (October 31, 2011 – 387,493.93) of series L shares outstanding at period end representing 11.02% (October 31, 2011 – 9.84%) of the total series L shares of the Fund are held by the Partners of the Manager.

81,800.00 (October 31, 2011 – 81,800.00) of series L shares outstanding at period end representing 2.33% (October 31, 2011 – 2.00%) of the total series L shares of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of 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. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$Nil (2011 - \$53,793) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs 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 Fund, 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 TO NET ASSETS FOR FINANCIAL STATEMENTS

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 ending on or after 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 in of general practice in the investment funds industry.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS (Continued...)

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 April 30, 2012

	Transactional NAV	<u>Net Asset Value</u> Section 3855 Adjustment	GAAP NA	<u>Net Assets per Share</u> Transactional NAV		GAAP NA
Series A	\$ 3,155,246	\$ (10,940)	\$ 3,144,306	\$ 8.99	\$	8.96
Series B	96,574,522	(335,412)	96,239,110	8.50		8.47
Series F	1,116,722	(3,869)	1,112,853	8.46		8.43
Series L	33,747,355	(117,083)	33,630,272	9.60		9.56
Series X	8,525	(29)	8,496	9.01		8.97
Total Net Asset Value	\$ 134,602,370	\$ (467,333)	\$134,135,037			

As at October 31, 2011

	Transactional NAV	<u>Net Asset Value</u> Section 3855 Adjustment	GAAP NA	<u>Net Assets per Share</u> Transactional NAV		GAAP NA
Series A	\$ 3,842,190	\$ 2,129	\$ 3,844,319	\$ 10.76	\$	10.76
Series B	92,186,342	51,057	92,237,399	10.17		10.17
Series F	1,637,473	901	1,638,374	10.07		10.07
Series L	46,939,263	26,006	46,965,269	11.48		11.49
Total Net Asset Value	\$ 144,605,268	\$ 80,093	\$144,685,361			

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

9. FINANCIAL INSTRUMENTS

The Fund's assets and liabilities classified in accordance with CICA Handbook Section 3855 are as follows:

	As at April 30, 2012	As at October 31, 2011
Assets		
Held for trading	\$131,112,730	\$144,849,925
Cash and cash equivalents	2,261,965	1,765,705
Loans and receivables	<u>3,497,660</u>	<u>193,914</u>
Total Assets	<u>136,872,355</u>	<u>146,809,544</u>
Liabilities		
Held for trading	213,675	753,841
Other financial liabilities at amortized cost	<u>2,523,643</u>	<u>1,370,342</u>
Total liabilities	<u>2,737,318</u>	<u>2,214,183</u>
Net Assets	<u>\$134,135,037</u>	<u>\$144,685,361</u>

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, amounts receivable relating to accrued income, other receivable, performance fees payable, obligations from portfolio assets sold short, at fair value, accounts payable relating to shares redeemed and accrued expenses. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk Management

The Investment Advisor seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

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. The Statement of Investment Portfolio presents the securities held by the Fund as at April 30, 2012, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

9. FINANCIAL INSTRUMENTS (Continued...)

i) Market price risk

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

ii) Currency risk

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

Included in the undernoted accounts are the following foreign currency balances:

	Investments, at fair value	Cash	Foreign exchange contracts	Total	Percentage of GAAP NA
Australian Dollar	\$ 13,311,370	\$ -	\$ -	\$ 13,311,370	9.92%
United States Dollar	4,859,856	109	-	4,859,965	3.62%
British Pound	2,436,410	-	-	2,436,410	1.82%
Total	<u>\$ 20,607,636</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ 20,607,745</u>	<u>15.36%</u>

iii) 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, 2012, the bulk of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

9. FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk (Continued...)

	Floating Rate	Fixed Rate	Non-Interest	
Financial assets	Financial Assets	Financial Assets	Bearing	Total
Held for trading	\$ -	\$ -	\$ 131,112,730	\$131,112,730
Other receivables	-	-	3,497,660	3,497,660
Cash and cash equivalents	<u>2,261,965</u>	<u>-</u>	<u>-</u>	<u>2,261,965</u>
Total	<u>\$ 2,261,965</u>	<u>\$ -</u>	<u>\$ 134,610,390</u>	<u>\$136,872,355</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 213,675	\$ 213,675
Other financial liabilities	<u>-</u>	<u>-</u>	<u>2,523,643</u>	<u>2,523,643</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,737,318</u>	<u>\$ 2,737,318</u>
GAAP NA				<u>\$134,135,037</u>

iv) 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.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

9. FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk (Continued...)

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

	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$131,112,730	\$131,112,730
Other receivables	3,497,660	-	-	-	-	3,497,660
Cash and cash equivalents	2,261,965	-	-	-	-	2,261,965
	<u>2,261,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,261,965</u>
Total	<u>\$5,759,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$131,112,730</u>	<u>\$136,872,355</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 213,675	\$ 213,675
Other financial liabilities	2,523,643	-	-	-	-	2,523,643
	<u>2,523,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,523,643</u>
Total	<u>\$2,523,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,675</u>	<u>\$ 2,737,318</u>
GAAP NA						<u>\$134,135,037</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2012, the fair value of such assets was 10.57% (October 31, 2011 – 7.00%) of the total net assets.

v) Cash flow risk

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 from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

9. FINANCIAL INSTRUMENTS (Continued...)

vi) 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.

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds and amounts due from brokers. 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 may also invest 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 obligations 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, 2012, the Fund had no significant investments in long term debt instruments.

10. CAPITAL MANAGEMENT

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

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from October 31, 2011.

The Fund does not have any externally imposed capital requirements.

FRONT STREET RESOURCE FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 and 2011

(Unaudited)

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of April 30, 2012 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 115,156,577</u>	<u>\$ 1,782,211</u>	<u>\$ 14,173,942</u>	<u>\$ 131,112,730</u>
Liabilities at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	<u>\$ 213,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,675</u>

During the period ended April 30, 2012 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, at fair value Equities
Beginning balance at November 1, 2011	\$ 10,125,167
Purchases	3,592,250
Sales	(475,217)
Transfers in	-
Transfers out	-
Gain (losses)	
Realized	(2,587,865)
Unrealized	<u>3,519,607</u>
Balance at April 30, 2012	<u>\$ 14,173,942</u>



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