



FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

FRONT STREET SMALL CAP 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 Small Cap Fund

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements for Front Street Small Cap Fund (the "Fund"), formerly a class of Front Street Opportunities Funds Ltd., and now a class of shares of Front Street Mutual Funds Limited, a Front Street Capital corporate class mutual 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 seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded small capitalization companies and to a lesser extent in equity securities of a diversified group of private companies.

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.

Although the Fund invests primarily in Canadian companies, it may invest anywhere in the world and, depending on market conditions, it may shift its emphasis from one industry sector to another. The Fund focuses on companies that have the potential for further growth, and on securities of growing companies.

The Fund may invest in foreign securities up to a maximum of 40% of the total cost of the Fund's property. Typically, the Fund invests between 0% and 10% of the total cost of the Fund's property in foreign securities.

The 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 and use of derivatives.

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 poles 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.

During the period ended April 30, 2012, the Fund earned investment income of \$185,207 from dividends and interest. There were net realized gains on the sale of investments of \$861,960 and an unrealized depreciation on the value of investments of \$6.5 million.

Operating expenses, excluding management fees, performance fees and servicing fees, totalled \$167,300 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.

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 \$374,459 (April 30, 2011 -\$475,895) were paid to the Manager during the period. Servicing fees of \$185,735 (April 30, 2011 -\$248,945) were paid to the Manager during the period. Operating costs of \$19,620 (April 30, 2011 -\$15,933) were paid to the Manager during the period. Performance fees of \$ Nil (April 30, 2011 -\$900,036) were incurred with the Manager during the period. Included in accrued expenses are \$51,481 (October 31, 2011 -\$60,101) in management fees payable to the Manager. Included in accrued expenses are \$26,450 (October 31, 2011 -\$29,902) in accrued servicing fees payable to the Manager. Included in accrued expenses are \$1,060 (October 31, 2011-\$3,712) in operating costs payable to the Manager.

20,000.00 (October 31, 2011 – 54,461.04) of series F shares outstanding at period end representing 7.83% (October 31, 2011 – 17.79%) of the series F shares of the Fund are held by the Partners of the Manager.

1,198.14 (October 31, 2011 – 1,198.14) of series F shares outstanding at period end representing 0.47% (October 31, 2011 – 0.39%) of the series F 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 Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$Nil (April 30, 2011 – \$3,154) in commissions on portfolio transactions for the Fund.

Management fees, performance fees, servicing fees and operating costs 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 financial years. This information is derived from the Fund's audited annual and interim financial statements for the six months ending April 30, 2012.

Series A

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾
Net Assets, beginning of the period	\$ 25.35	\$ 30.17	\$ 21.74	\$ 12.00
Increase (decrease) from operations:				
Total revenue	0.11	0.15	0.06	0.10
Total expenses	(0.43)	(1.55)	(1.11)	(1.61)
Realized gains (losses) for the period	0.48	1.18	6.89	2.34
Unrealized gains (losses) for the period	(3.85)	(7.40)	1.83	10.35
Total increase (decrease) from operations⁽²⁾	(3.69)	(7.62)	7.67	11.18
Distributions to Shareholders:				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
Total annual distributions to Shareholders⁽³⁾	—	—	—	—
Net Assets, end of the period	\$ 21.90	\$ 25.35	\$ 30.17	\$ 21.74

- (1) This information is derived from the Fund's audited annual 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⁾	13,174	14,671	12,133	4,450
Number of shares outstanding ⁽¹⁾	595,310	574,001	402,295	203,619
Management expense ratio ⁽²⁾	3.41%	4.88%	4.34%	9.28%
Management expense ratio before waivers or absorptions	3.41%	4.88%	4.34%	9.28%
Trading expense ratio ⁽³⁾	0.18%	0.30%	0.44%	0.84%
Portfolio turnover rate ⁽⁴⁾	14.62%	55.44%	66.12%	84.07%
Net asset value per share	\$ 22.13	\$ 25.56	\$ 30.16	\$ 21.85

- (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.

Series B

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾
Net Assets, beginning of the period	\$ 25.18	\$ 29.94	\$ 21.56	\$ -
Increase (decrease) from operations:				
Total revenue	0.10	0.14	0.05	0.08
Total expenses	(0.43)	(1.57)	(1.06)	(1.72)
Realized gains (losses) for the period	0.47	1.24	6.39	2.31
Unrealized gains (losses) for the period	(3.53)	(6.75)	1.44	10.65
Total increase (decrease) from operations⁽²⁾	(3.39)	(6.94)	6.82	11.32
Distributions to Shareholders:				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
Total annual distributions to Shareholders⁽³⁾	—	—	—	—
Net Assets, end of the period	\$ 21.75	\$ 25.18	\$ 29.94	\$ 21.56

- (1) This information is derived from the Fund's audited annual 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⁾	18,141	22,818	21,129	12,429
Number of shares outstanding ⁽¹⁾	825,551	898,985	705,899	573,487
Management expense ratio ⁽²⁾	3.42%	4.95%	4.23%	10.18%
Management expense ratio before waivers or absorptions	3.42%	4.95%	4.23%	10.18%
Trading expense ratio ⁽³⁾	0.18%	0.30%	0.44%	0.84%
Portfolio turnover rate ⁽⁴⁾	14.62%	55.44%	66.12%	84.07%
Net asset value per share	\$ 21.97	\$ 25.38	\$ 29.93	\$ 21.67

- (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.

Series F

The Fund's Net Assets per Share

	April 30, 2012	October 31, 2011 ⁽¹⁾	October 31, 2010 ⁽¹⁾	October 31, 2009 ⁽¹⁾
Net Assets, beginning of the period	\$ 25.02	\$ 29.62	\$ 21.40	\$ -
Increase (decrease) from operations:				
Total revenue	0.10	0.15	0.05	0.12
Total expenses	(0.30)	(1.12)	(0.85)	(1.57)
Realized gains (losses) for the period	0.40	1.09	6.51	1.22
Unrealized gains (losses) for the period	(3.65)	(9.06)	0.78	10.35
Total increase (decrease) from operations ⁽²⁾	(3.45)	(8.94)	6.49	10.12
Distributions to Shareholders:				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
Total annual distributions to Shareholders ⁽³⁾	—	—	—	—
Net Assets, end of the period	\$ 21.72	\$ 25.02	\$ 29.62	\$ 21.40

- (1) This information is derived from the Fund's audited annual 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⁾	5,606	7,722	3,372	985
Number of shares outstanding ⁽¹⁾	255,439	306,160	113,897	45,788
Management expense ratio ⁽²⁾	2.41%	3.59%	3.39%	10.25%
Management expense ratio before waivers or absorptions	2.41%	3.59%	3.39%	10.25%
Trading expense ratio ⁽³⁾	0.18%	0.30%	0.44%	0.84%
Portfolio turnover rate ⁽⁴⁾	14.62%	55.44%	66.12%	84.07%
Net asset value per share	\$ 21.95	\$ 25.22	\$ 29.61	\$ 21.52

- (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.

Series X

The Fund's Net Assets per Share

		April 30, 2012	October 31, 2011 ⁽¹⁾	For the period from commencement of operation on December 1, 2009 to October 31, 2010 ⁽¹⁾
Net Assets, beginning of the period	\$	25.40	\$ 30.26	\$ 23.96*
Increase (decrease) from operations:				
Total revenue		0.10	0.15	0.08
Total expenses		(0.37)	(1.35)	(0.86)
Realized gains (losses) for the period		0.49	1.48	8.53
Unrealized gains (losses) for the period		(3.48)	(9.66)	7.83
Total increase (decrease) from operations ⁽²⁾		(3.26)	(9.38)	15.58
Distributions to Shareholders:				
From income (excluding dividends)		—	—	—
From dividends		—	—	—
From capital gains		—	—	—
Return of capital		—	—	—
Total annual distributions to Shareholders ⁽³⁾		—	—	—
Net Assets, end of the period	\$	21.99	\$ 25.40	\$ 30.26

- (1) This information is derived from the Fund's audited annual 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⁾	376	449	124
Number of shares outstanding ⁽¹⁾	16,921	17,518	4,109
Management expense ratio ⁽²⁾	2.92%	4.21%	3.74%
Management expense ratio before waivers or absorptions	2.92%	4.21%	3.74%
Trading expense ratio ⁽³⁾	0.18%	0.30%	0.44%
Portfolio turnover rate ⁽⁴⁾	14.62%	55.44%	66.12%
Net asset value per share	\$ 22.22	\$ 25.60	\$ 30.25

- (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 AND PERFORMANCE FEES

The Fund pays the Manager a monthly fee equal to one-twelfth of 1.5% of net asset value of the applicable series of the Fund, payable monthly in arrears, calculated without regard to any accrual of performance bonuses (as described below) and before payment of such fee.

The 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 Manager may also earn an annual performance bonus (a “Performance Bonus”) in each fiscal quarter if the percentage gain in the new asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding 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 the S&P/TSX Small Cap Total Return Index.

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

SERVICING FEE

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

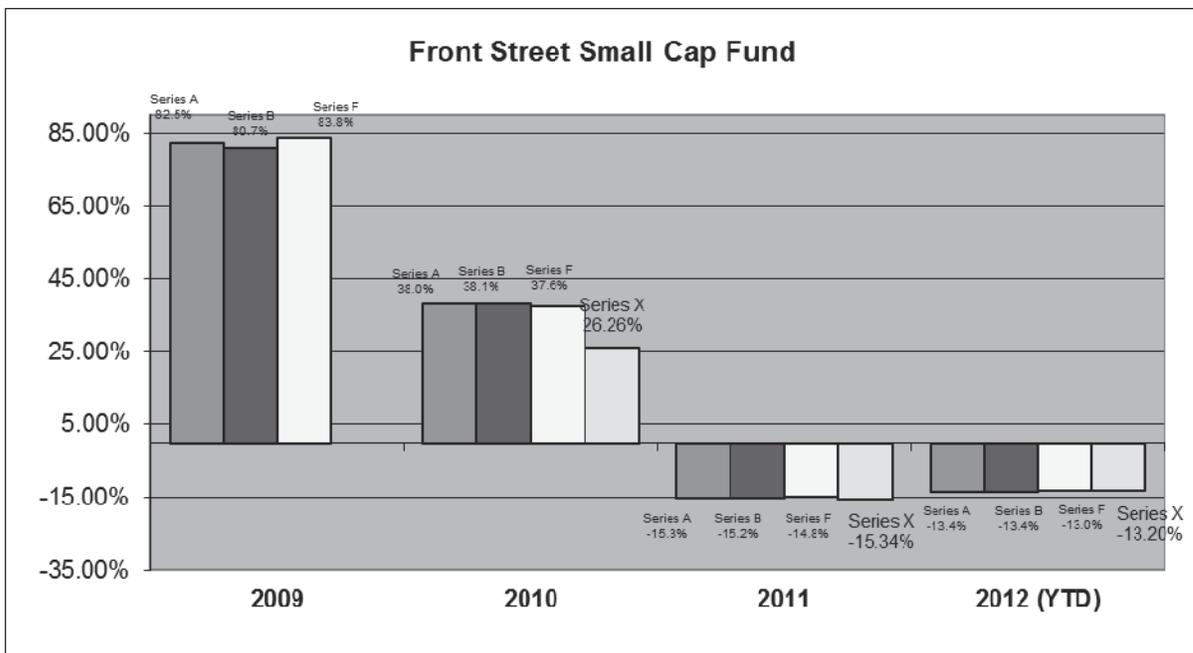
<i>Series</i>	<i>Annual Payment per \$1,000 of Shares Held</i>
Series A & B – 1.00%	\$10.00
Series F – 0%	Nil
Series X – 0.50%	\$ 5.00

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 returns or performance for the 2009 fiscal year for Front Street Small Cap Fund, a class of Front Street Mutual Funds Ltd. The Fund was merged with the discontinuing Fund being Front Street Small Cap Opportunities Fund on November 1, 2008.

SUMMARY OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2012

Portfolio by Category

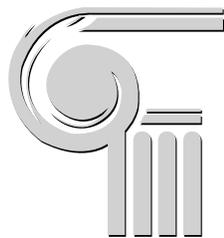
	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	70.5%
Materials	18.3%
United States	3.6%
Cash & Cash Equivalents	3.3%
Corporate Bonds	2.2%
Australia	1.3%
Utilities	0.6%
Others	0.2%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Laricina Energy Limited	6.2%
Whitecap Resources Inc.	5.7%
Angle Energy Inc.	5.2%
Madalena Ventures Inc.	5.0%
Ensign Energy Services Inc.	4.8%
PHX Energy Services Corporation	4.7%
Lundin Mining Corporation	4.7%
Spartan Oil Corporation	4.5%
Xinergy Limited	4.2%
Crew Energy Inc.	4.0%
Trican Well Service Limited	4.0%
Bankers Petroleum Limited	3.9%
Wildcat Silver Corporation	3.6%
The Dow Chemical Company	3.6%
CanElson Drilling Inc.	3.4%
Athabasca Oil Sands Corporation	3.1%
Parex Resources Inc.	2.6%
C&C Energia Limited	2.4%
Dalradian Resources Inc.	2.3%
Southern Pacific Resource Corporation	2.2%
Lithium Americas Corporation	1.9%
HudBay Minerals Inc.	1.7%
Gran Colombia Gold Corporation	1.5%
Capstone Mining Corporation	1.4%
Xinergy Corporation*	1.3%
	87.9%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$37,297

*Debt Instrument

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



FRONT STREET

Small Cap Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET SMALL CAP 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 SMALL CAP FUND

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

	2012 (Unaudited)	2011 (Audited)
ASSETS		
Investments, at fair value (cost - \$48,774,368; 2011 - \$51,214,381)	\$ 35,617,507	\$ 44,549,698
Cash and cash equivalents	1,220,538	970,663
Accounts receivable relating to portfolio assets sold	359,139	75,582
Amounts receivable relating to accrued income	45,151	39,656
Accounts receivable relating to shares issued	22,146	501,291
	<u>\$ 37,264,481</u>	<u>\$ 46,136,890</u>
LIABILITIES		
Accounts payable relating to shares redeemed	\$ 177,554	\$ 103,722
Accrued expenses	177,539	197,802
Liabilities for portfolio assets purchased	—	543,895
	<u>355,093</u>	<u>845,419</u>
Net assets representing shareholders' equity	<u>\$ 36,909,388</u>	<u>\$ 45,291,471</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 13,037,420	\$ 14,552,720
Shares outstanding, Series A, note 3	595,310	574,001
Net assets per share, Series A	<u>\$ 21.90</u>	<u>\$ 25.35</u>
Net assets, Series B	\$ 17,951,856	\$ 22,633,655
Shares outstanding, Series B, note 3	825,551	898,985
Net assets per share, Series B	<u>\$ 21.75</u>	<u>\$ 25.18</u>
Net assets, Series F	\$ 5,547,993	\$ 7,660,164
Shares outstanding, Series F, note 3	255,439	306,160
Net assets per share, Series F	<u>\$ 21.72</u>	<u>\$ 25.02</u>
Net assets, Series X	\$ 372,119	\$ 444,932
Shares outstanding, Series X, note 3	16,921	17,518
Net assets per share, Series X	<u>\$ 21.99</u>	<u>\$ 25.40</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

FRONT STREET SMALL CAP FUND

STATEMENTS OF OPERATIONS
FOR THE PERIOD ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Investment income		
Dividends	\$ 132,231	\$ 8,348
Interest	52,976	80,477
	<u>185,207</u>	<u>88,825</u>
Expenses		
Management fees, note 4 and 7	374,459	475,895
Servicing fees, notes 4 and 7	185,735	248,945
Administration fees	82,071	57,800
Custodial fees	23,869	24,920
Audit fees	19,891	16,491
Operating costs, notes 4 and 7	19,620	15,933
Legal fees	10,940	9,999
Securityholder reporting costs	9,448	10,625
Independent review committee	1,461	2,492
Performance fees, notes 4 and 7	—	900,036
Capital tax	—	2,493
	<u>727,494</u>	<u>1,765,629</u>
Net investment loss for the period	<u>(542,287)</u>	<u>(1,676,804)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain on sale of investments	861,960	2,965,789
Transaction costs, note 6 and 7	(41,241)	(93,427)
Change in the unrealized appreciation (depreciation) of the value of investments	<u>(6,521,842)</u>	<u>4,280,096</u>
Net gain (loss) on investments for the period	<u>(5,701,123)</u>	<u>7,152,458</u>
Net increase (decrease) in net assets from operations for the period	<u>\$ (6,243,410)</u>	<u>\$ 5,475,654</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ (2,171,112)	\$ 1,701,667
Increase (decrease) in net assets from operations per share, Series A	<u>\$ (3.69)</u>	<u>\$ 3.39</u>
Increase (decrease) in net assets from operations, Series B	\$ (2,963,756)	\$ 3,293,812
Increase (decrease) in net assets from operations per shares, Series B	<u>\$ (3.39)</u>	<u>\$ 3.55</u>
Increase (decrease) in net assets from operations, Series F	\$ (1,052,352)	\$ 463,092
Increase (decrease) in net assets from operations per shares, Series F	<u>\$ (3.45)</u>	<u>\$ 2.22</u>
Increase (decrease) in net assets from operations, Series X	\$ (56,190)	\$ 17,083
Increase (decrease) in net assets from operations per shares, Series X	<u>\$ (3.26)</u>	<u>\$ 1.26</u>

See accompanying notes to the financial statements

FRONT STREET SMALL CAP FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIOD 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	\$ 14,552,720	\$ 12,138,788
Net increase (decrease) in net assets from operations	(2,171,112)	1,701,667
Shareholder transactions		
Proceeds from the issuance of shares	2,194,223	9,187,609
Aggregate amounts paid on the redemption of shares	(1,538,411)	(1,280,292)
	655,812	7,907,317
Net Increase in net assets for the period	(1,515,300)	9,608,984
Net assets, end of period	\$ 13,037,420	\$ 21,747,772
Series B		
Net assets, beginning of period	\$ 22,633,655	\$ 21,137,687
Net increase (decrease) in net assets from operations	(2,963,756)	3,293,812
Shareholder transactions		
Proceeds from the issuance of shares	2,669,376	18,517,647
Aggregate amounts paid on the redemption of shares	(4,387,419)	(5,902,034)
	(1,718,043)	12,615,613
Net increase in net assets for the period	(4,681,799)	15,909,425
Net assets, end of period	\$ 17,951,856	\$ 37,047,112

FRONT STREET SMALL CAP FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIOD 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	\$ 7,660,164	\$ 3,373,497
Net increase (decrease) in net assets from operations	(1,052,352)	463,092
Shareholder transactions		
Proceeds from the issuance of shares	1,060,398	6,689,254
Aggregate amounts paid on the redemption of shares	(2,120,217)	(758,053)
	(1,059,819)	5,931,201
Net increase (decrease) in net assets for the period	(2,112,171)	6,394,293
Net assets, end of period	\$ 5,547,993	\$ 9,767,790
Series X		
Net assets, beginning of period	\$ 444,932	\$ 124,328
Net increase (decrease) in net assets from operations	(56,190)	17,083
Shareholder transactions		
Proceeds from the issuance of shares	-	536,114
Aggregate amounts paid on the redemption of shares	(16,623)	(56,588)
	(16,623)	479,526
Net increase (decrease) in net assets for the period	(72,813)	496,609
Net assets, end of period	\$ 372,119	\$ 620,937

FRONT STREET SMALL CAP FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIOD 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	\$ 45,291,471	\$ 36,774,300
Net increase (decrease) in net assets from operations	(6,243,410)	5,475,654
Shareholder transactions		
Proceeds from the issuance of shares	5,923,997	34,930,624
Aggregate amounts paid on the redemption of shares	(8,062,670)	(7,996,967)
	(2,138,673)	26,933,657
Net increase in net assets for the period	(8,382,083)	32,409,311
Net assets, end of period	\$ 36,909,388	\$ 69,183,611

FRONT STREET SMALL CAP FUND
STATEMENT OF INVESTMENT PORTFOLIO
As at April 30, 2012 (UNAUDITED)

	Number of Shares/ Units	Cost \$	Fair Value \$
LONG POSITION (96.5%)			
Corporate Bonds (2.2%)			
Banro Corporation 10.000% March 1, 2017	400,000	\$ 365,177	\$ 351,925
Xinergy Corporation 9.250% May 15, 2019	661,128	639,265	477,916
		<u>\$ 1,004,442</u>	<u>\$ 829,841</u>
Energy (70.6%)			
Anatolia Energy Corporation	441,250	\$ 1,500,250	\$ 70,600
Anatolia Energy Corp Warrants February 15, 2013	220,625	-	-
Angle Energy Inc.	389,123	2,935,870	1,945,615
Athabasca Oil Sands Corporation	100,000	1,295,499	1,153,000
Bankers Petroleum Limited	420,679	2,827,195	1,430,309
C&C Energia Limited	122,548	1,036,711	901,953
Calfrac Well Services Limited	5,800	157,381	156,716
Calmena Energy Services Inc.	1,361,142	1,452,326	326,674
CanElson Drilling Inc.	270,307	970,360	1,256,928
Crew Energy Inc.	213,661	3,389,283	1,491,353
Ensign Energy Services Inc.	125,000	2,099,905	1,781,250
Gasfrac Energy Services Inc.	79,278	661,758	383,706
Laricina Energy Limited Private Placement	77,196	1,310,880	2,315,880
Lipari Energy Inc.	744,414	2,419,345	200,992
Lipari Energy Inc. Warrants March 11, 2014	372,207	-	1,861
Madalena Ventures Inc.	3,549,643	2,294,872	1,845,814
Northwest Upgrading Inc. Private Placement	200,000	252,000	420,000
P1 Energy Corporation Private Placement	83,634	250,902	100,361
Parex Resources Inc.	176,012	883,017	943,424
Petroamerica Oil Corporation Warrants November 4, 2014	1,200,000	-	26,442
PHX Energy Services Corporation	184,532	1,892,829	1,756,745
Southern Pacific Resource Corporation	534,419	669,389	839,038
Spartan Oil Corporation	400,000	1,440,000	1,680,000
Touchstone Exploration Inc. Warrants June 11, 2012	1,028,072	-	20,561
Trican Well Service Limited	104,170	1,487,819	1,480,256
Whitecap Resources Inc.	237,112	1,468,755	2,096,070
Xinergy Limited	635,656	1,955,644	1,430,226
		<u>\$ 34,651,990</u>	<u>\$ 26,055,774</u>
Materials (18.2%)			
Banro Corporation Warrants March 2, 2017	19,200	\$ 34,404	\$ 29,871
Capstone Mining Corporation	173,511	512,141	508,387
Dalradian Resources Inc.	624,440	1,216,021	768,061
Entree Gold Inc.	201,800	273,682	211,890
Gran Colombia Gold Corporation	1,281,279	1,306,905	570,169
HudBay Minerals Inc.	59,765	598,845	619,763
Lithium Americas Corporation	574,437	907,960	700,813
Lundin Mining Corporation	366,817	1,957,142	1,760,722
Riva Gold Corporation	857,150	1,500,013	235,716
Wildcat Silver Corporation	1,000,000	1,712,500	1,320,000
		<u>\$ 10,019,613</u>	<u>\$ 6,725,392</u>
Utilities (0.6%)			
GWR Global Water Resources Corporation	61,483	\$ 461,388	\$ 206,583

**FRONT STREET SMALL CAP FUND
STATEMENT OF INVESTMENT PORTFOLIO
As at April 30, 2012 (UNAUDITED)**

	Number of Shares/ Units	Cost \$	Fair Value \$
Australia (1.3%)			
Mirabela Nickel Limited	568,400	\$ 947,335	\$ 278,516
Perseus Mining Limited	70,038	<u>228,869</u>	<u>187,702</u>
		<u>\$ 1,176,204</u>	<u>\$ 466,218</u>
United States (3.6%)			
The Dow Chemical Company	39,833	<u>\$ 1,460,731</u>	<u>\$ 1,333,699</u>
Total Long Positions (96.5%)		<u>\$ 48,774,368</u>	<u>\$ 35,617,507</u>
Transaction costs, note 2		<u>\$ (93,672)</u>	<u>-</u>
Total Investments (96.5%)		<u>\$ 48,680,696</u>	<u>35,617,507</u>
Cash and cash equivalents (3.3%)			1,220,538
Other assets less other liabilities (0.2%)			<u>71,343</u>
Net assets (100.0%)			<u>\$ 36,909,388</u>

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2012 AND 2011

(UNAUDITED)

1. THE FUND

Front Street Small Cap 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 October 31, 2008. Series B commenced operations on October 31, 2008. Series F commenced operations on October 31, 2008. Series X commenced operations on December 21, 2009.

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 seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded small capitalization companies and to a lesser extent in equity securities of a diversified group of private companies.

Although the Fund invests primarily in Canadian companies, it may invest anywhere in the world and depending on market conditions, it may shift its emphasis from one industry sector to another. The Fund focuses on companies that have the potential for further growth, and on securities of growing companies.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were 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 are classified as held for trading. Accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, and amounts receivable relating to accrued income are classified as loans and receivables. Liabilities for portfolio assets purchased, accrued expenses and accounts payable relating to shares redeemed have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The 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.

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.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (Continued...)

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in 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 SMALL CAP 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.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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.

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 is calculated by dividing the net assets of a series of shares by the total number of shares of the series outstanding at the end of the period.

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 investments in private companies and the fair value of the Fund's investments in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

FRONT STREET SMALL CAP 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 SMALL CAP 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 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 year.

FRONT STREET SMALL CAP 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	574,001	402,295
Series B	898,985	705,899
Series F	306,160	113,897
Series X	17,518	4,109
Shares issued during the period:		
Series A	82,453	257,409
Series B	103,409	531,942
Series F	41,625	193,018
Series X	-	15,305
Shares redeemed during the period		
Series A	61,144	36,655
Series B	176,843	167,863
Series F	92,346	21,757
Series X	597	1,607
Shares outstanding, end of the period:		
Series A	595,310	623,049
Series B	825,551	1,069,978
Series F	255,439	285,158
Series X	16,921	17,807

FRONT STREET SMALL CAP 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 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 calculated at the end of each month. The Fund pays a monthly service fee of 1/12 of 0.50% of the net asset value of Series X shares.

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 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 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 the S&P/TSX Small Cap Total Return 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, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is 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.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

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 share are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

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

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

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

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

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

The Fund may be subject to provincial capital taxes.

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

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the period ended April 30, 2012 was \$41,241 (April 30, 2011 - \$93,427).

7. RELATED PARTY TRANSACTIONS

Management fees of \$374,459 (April 30, 2011 -\$475,895) were paid to the Manager during the period (see note 4). Servicing fees of \$185,735 (April 30, 2011 -\$248,945) were paid to the Manager during the period (see note 4). Operating costs of \$19,620 (April 30, 2011 -\$15,933) were paid to the Manager during the period (see note 4). Performance fees of \$ Nil (April 30, 2011 -\$900,036) were incurred with the Manager during the period (see note 4). Included in accrued expenses are \$51,481 (October 31, 2011 -\$60,101) in management fees payable to the Manager. Included in accrued expenses are \$26,450 (October 31, 2011 -\$29,902) in accrued servicing fees payable to the Manager. Included in accrued expenses are \$1,060 (October 31, 2011-\$3,712) in operating costs payable to the Manager.

20,000.00 (October 31, 2011 – 54,461.04) of series F shares outstanding at period end representing 7.83% (October 31, 2011 – 17.79%) of the series F shares of the Fund are held by the Partners of the Manager.

1,198.14 (October 31, 2011 – 1,198.14) of series F shares outstanding at period end representing 0.47% (October 31, 2011 – 0.39%) of the series F 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 Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended April 30, 2012, Tuscarora Capital Inc, a company under common control to the Manager, received \$Nil (April 30, 2011 – \$3,154) 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.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

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 principles ("GAAP NA") of an investment fund is required. 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 sale 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 general practice in the investment funds industry.

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

As at April 30, 2012

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Assets per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 13,174,271	\$ (136,851)	\$ 13,037,420	\$ 22.13	\$ 21.90
Series B	18,140,861	(189,005)	17,951,856	21.97	21.75
Series F	5,606,170	(58,177)	5,547,993	21.95	21.72
Series X	376,022	(3,903)	372,119	22.22	21.99
Total Net Asset Value	\$ 37,297,324	\$ (387,936)	\$ 36,909,388		

As at October 31, 2011

	Transactional NAV	<u>Net Asset Value</u>		<u>Net Assets per Share</u>	
		Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 14,671,379	\$ (118,659)	\$ 14,552,720	\$ 25.56	\$ 25.35
Series B	22,817,918	(184,263)	22,633,655	25.38	25.18
Series F	7,722,274	(62,110)	7,660,164	25.22	25.02
Series X	448,552	(3,620)	444,932	25.60	25.40
Total Net Asset Value	\$ 45,660,123	\$ (368,652)	\$ 45,291,471		

FRONT STREET SMALL CAP 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 (Unaudited)	As at October 31, 2011 (Audited)
Assets		
Held for trading	\$ 35,617,507	\$ 44,549,698
Cash and cash equivalents	1,220,538	970,663
Loans and receivables	<u>426,436</u>	<u>616,529</u>
Total Assets	<u>37,264,481</u>	<u>46,136,890</u>
Liabilities		
Other financial liabilities at amortized cost	<u>355,093</u>	<u>845,419</u>
Total liabilities	<u>355,093</u>	<u>845,419</u>
Net Assets	<u>\$ 36,909,388</u>	<u>\$ 45,291,471</u>

The Fund's financial instruments consist of investments, at fair value, cash and cash equivalents, accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, amounts receivable relating to accrued income, liabilities for portfolio assets purchased, accrued expenses and accounts payable relating to shares redeemed. 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.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

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.

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 price or investment specific events.

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

Currency	Investments, at fair value	Cash	Total	Percentage of GAAP NA
United States Dollar	\$ 2,193,410	\$ 10,980	\$ 2,204,391	5.97%
Australian Dollar	-	715	715	0.00%
	<u>\$ 2,193,410</u>	<u>\$ 11,695</u>	<u>\$ 2,205,105</u>	<u>5.97%</u>

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

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.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 829,841	\$ 34,787,666	\$ 35,617,507
Other receivables	-	-	426,436	426,436
Cash and cash equivalents	<u>1,220,538</u>	<u>-</u>	<u>-</u>	<u>1,220,538</u>
Total	<u>\$ 1,220,538</u>	<u>\$ 829,841</u>	<u>\$ 35,214,102</u>	<u>\$ 37,264,481</u>
Financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,093</u>	<u>\$ 355,093</u>
GAAP NA				<u>\$ 36,909,388</u>

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

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.

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

Financial assets	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for trading	\$ -	\$ -	\$ 351,925	\$ 477,916	\$ 34,787,666	\$ 35,617,507
Other receivables	426,436	-	-	-	-	426,436
Cash and cash equivalents	<u>1,220,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,220,538</u>
Total	<u>\$ 1,646,974</u>	<u>\$ -</u>	<u>\$ 351,925</u>	<u>\$ 477,916</u>	<u>\$ 34,787,666</u>	<u>\$ 37,264,481</u>
Financial liabilities	<u>\$ 355,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,093</u>
GAAP NA						<u>\$ 36,909,388</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 7.68% (October 31, 2011 – 7.60%) 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 SMALL CAP 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, amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund 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 2.2% (October 31, 2011 - 1.79%) of holdings in long term debt instruments for which credit rating were not available.

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 2011.

The Fund does not have any externally imposed capital requirements.

FRONT STREET SMALL CAP FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

11. FAIR VALUE HIERARCHY

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

	Quoted prices in active markets 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>\$ 31,874,550</u>	<u>\$ 906,716</u>	<u>\$ 2,836,241</u>	<u>\$ 35,617,507</u>

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

	Investments, at fair value
Balance as at November 1, 2011	\$ 3,442,557
Purchases	-
Gains (losses)	
Realized gain	-
Change in unrealized gain	<u>(606,316)</u>
Balance as at April 30, 2012	<u>\$ 2,836,241</u>



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