

Restated Annual Management Report of Fund Performance As at October 31, 2013 Front Street Resource Growth and Income Class (Formerly Front Street Resource Class)

The Front Street Resource Growth and Income Class (the "Fund") Annual Management Report of Fund Performance ("MRFP") dated as at October 31, 2013 is being restated and re-filed to include (i) an annual compound returns table of past performance for the 5-, 3-, and 1-year periods ended on the last day of the Fund's financial year and the Fund's past performance since the inception of the Fund, (ii) the past performance of Series X shares of the Fund in the annual compound returns table, and (iii) disclosure of the returns of an appropriate broad-based market index, each of which was inadvertently omitted in the original MRFP filed on SEDAR. No other changes have been made to the MRFP.

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

Securityholders 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 fundamental investment objective of the Fund is to provide current income and long-term capital appreciation by investing primarily in a diversified portfolio of North American resource equity and income securities, including dividend paying or distribution paying North American resource equity and income securities such as common shares, income trust units, convertible bonds, and, to a lesser extent, interest-bearing securities such as corporate bonds. The Fund may, from time to time, engage in the short-selling of securities that 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 Growth and Income Class'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 of Resource Issuers and the Fund will therefore be subject to "Risks Associated with Resource Issuers", "Risk of Changes in Royalty Rates", "Fluctuations in Net Asset Value" and "Stock Market Risk". As certain of such issuers may be small capitalization companies, the Fund may also be subject to "Risks Associated with Small Capitalization Companies". Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to "Risks of Investing in Foreign Securities" and "Foreign Currency Risk". The Fund invests in relatively illiquid securities that may expose the Fund to "Liquidity Risks". 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 "Risks Associated with Short Sales" and "Risks of Investing in Derivatives". The Fund will also be subject to "Series Risk", "Tax Risk" and "Securities Lending, Repurchase and Reverse Repurchase Risk".

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. Any major increase in interest rates could stifle economic growth.

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 monthly income and long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

RESULTS OF OPERATIONS

For the year ended October 31, 2013, the Front Street Resource Growth and Income Class returned -20.7% (net of expenses) while the benchmark returned -10.5%. The past year has been challenging for resource markets, TSX Materials Index down 33.1%. Small-cap names, particularly those operating in foreign jurisdictions, were the hardest hit, as investors fled to the perceived safety and liquidity of larger-cap issuers. During the year, we balanced the fund towards larger-cap issuers. We still maintain our philosophy of investing in growth names, however, we are focusing on larger-cap companies, preferring to keep the Fund nimble by investing in equities with good liquidity.

The time frame towards the end of the period was fairly strong for commodities, and the companies that produce them. Economic data out of China showed that growth was starting to accelerate, after trailing off slightly, earlier in the year. In Europe, economic data suggests that the region emerged from its last recession. In North America, moderate growth continues. Expectations of further growth sent the prices of many commodities higher last quarter, including copper, oil, and iron-ore. Given the lack of capital spending in the sector recently, if we are fortunate to experience a period of globally-synchronized growth in the next few years, we may see commodities outperform.

One trend of particular importance, as mentioned in previous MRFP's, has been the conversion of several larger-cap resource companies to high dividend-paying corporations, particularly in the energy sector. These companies, with stable production levels, believe they can get better valuations for their shares by slowing down their growth and returning part of their earnings to shareholders. Reminiscent of when income trusts became popular, these companies are being afforded higher valuations by the market. Partly in response to this trend, and in light of investor demand for yield-oriented products, we have repositioned the portfolio to focus on dividend-paying resource companies, and have updated both the mandate and the name of the fund to reflect this shift: Front Street Resource Growth and Income Class.

During the year ended October 31, 2013, the Fund earned investment income of \$2,993,902 from dividends, security lending revenue and interest (net of foreign withholding taxes). There were net realized losses on the sale of investments of \$40.6 million and an unrealized appreciation on the value of investments of \$14.7 million.

Operating expenses, excluding management fees and servicing fees, totalled \$371,128 during the year ended October 31, 2013.

RECENT DEVELOPMENTS

A number of changes have been made to the Resource Growth and Income Class, primarily based off of these improving economic fundamentals. One of the objectives in changing the mandate of the Resource Growth and Income Class earlier this summer was to reduce volatility in the fund. To do this, the fund has been diversified to hold corporate debt, with approximately 15% in this asset class. The debt is invested in a number of high-quality, global resource companies, with the view to enhance yield in the portfolio, while reducing some of the cyclicity we've seen in commodity companies historically. As mentioned above, the portfolio also has begun to focus on dividend-paying equities. Consequently, the fund now pays a distribution.

On January 31, 2013, the Fund acquired the net assets of the Front Street Flow-Through 2011-I Limited Partnership, as well as the Front Street Flow-Through 2011-II Limited Partnership, on a tax-deferred rollover basis whereby the Partnership Units were converted at the rate of 1.252494 Series B shares of the Fund for each Front Street Flow-Through 2011-I Limited Partnership Unit, and 1.500908 Series B shares of the Fund for each Front Street Flow-Through 2011-II Limited Partnership Unit, respectively.

Pursuant to the press release dated October 8, 2013, the Manager waived any applicable performance fees until further notice.

On December 13, 2013, the Fund announced the acquisition of Front Street Flow-Through 2012-I Limited Partnership and Front Street Flow-Through 2012-II Limited Partnership on a tax deferred rollover basis (the "Mutual Fund Rollover Transaction"). The Mutual Fund Rollover Transaction will take place on or about January 16, 2014 after the close of business.

Pursuant to the press release dated December 30, 2013, the Manager decided not to proceed with the mergers of Front Street Tactical Equity Class and Front Street Value Class into Front Street Growth and Income Class and Front Street Resource Growth and Income Class, respectively, each a mutual fund class within Front Street Mutual Funds Limited.

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications 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 and IFRS 9, Financial Instruments, require shareholders' equity to be classified as liability unless certain criteria are met. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- c) 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. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund's financial statements.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Fund's financial statements. The adoption of IFRS is not expected to have a significant impact on the calculation of NAV per share. In particular, the Fund will be required to present 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

During the years ended October 31, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees	<u>\$ 1,393,846</u>	<u>\$ 2,306,491</u>
Servicing fees	<u>\$ 811,145</u>	<u>\$ 1,064,801</u>
Operating costs	<u>\$ 55,153</u>	<u>\$ 84,170</u>
Redemption fees	<u>\$ -</u>	<u>\$ 355,584</u>

Included in accrued expenses are amounts payable to the Manager as follows:

	2013	2012
Management fees payable	\$ 102,244	\$ 167,609
Servicing fees payable	57,365	83,177
Operating costs payable	<u>10,129</u>	<u>43,338</u>
	<u>\$ 169,738</u>	<u>\$ 294,124</u>

The following shares are held by related parties of the Fund:

	2013	2012
Series B shares held by Partners of the Manager	15,525.36	20,773.35
Percentage of Series B shares held by Partners of the Manager	0.16%	0.21%
Series F shares held by relatives of Partners of the Manager	872.82	866.94
Percentage of Series F shares held by relatives of Partners of the Manager	0.50%	0.62%
Series L shares held by Partners of the Manager	220,813.87	394,993.93
Percentage of Series L shares held by Partners of the Manager	10.59%	13.13%
Series L shares held by relatives of Partners of the Manager	82,289.63	81,800.00
Percentage of Series L shares held by relatives of Partners of the Manager	3.95%	2.72%

As at October 31, 2013, the Fund held 100,000 shares (2012 – Nil), representing 1.4% (2012 – Nil) of the net assets, in Front Street U.S. MLP Income Fund Limited which was also managed by the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$1,215 (2012 - \$6,764) in commissions on portfolio transactions for the Fund.

Management 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 five financial years. This information is derived from the Fund's audited annual financial statements.

Series A

The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	8.19	10.76	12.68	8.93	6.22
Increase (decrease) from operations:					
Total revenue	0.22	0.02	0.03	0.20	0.03
Total expenses	(0.20)	(0.26)	(0.64)	(0.55)	(0.34)
Realized gains (losses) for the year	(3.12)	(2.81)	1.71	2.67	0.10
Unrealized gains (losses) for the year	1.31	0.43	(3.20)	1.33	2.91
Total increase (decrease) from operations ⁽²⁾	(1.79)	(2.62)	(2.10)	3.65	2.70
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	0.06	—	—	—	—
Total distributions to Shareholders ⁽³⁾	0.06	—	—	—	—
Net Assets, end of the year	6.44	8.19	10.76	12.68	8.93

- (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 per share 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 year.
- (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⁾	1,790	2,752	3,842	4,274	3,594
Number of shares outstanding ⁽¹⁾	277,254	334,969	357,157	335,892	400,753
Management expense ratio ⁽²⁾	2.97%	2.85%	4.92%	5.36%	4.92%
Management expense ratio before waivers or absorptions ⁽²⁾	2.97%	2.85%	4.92%	5.36%	4.92%
Trading expense ratio ⁽³⁾	0.74%	0.50%	0.50%	0.37%	0.34%
Portfolio turnover rate ⁽⁴⁾	170.06%	104.60%	121.62%	100.06%	88.34%
Net asset value per share (\$)	6.45	8.22	10.76	12.72	8.97

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

Series B
The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	7.74	10.17	11.96	8.43	5.90
Increase (decrease) from operations:					
Total revenue	0.21	0.02	0.02	0.22	0.03
Total expenses	(0.19)	(0.24)	(0.59)	(0.51)	(0.32)
Realized gains (losses) for the year	(2.82)	(2.67)	1.74	2.40	0.18
Unrealized gains (losses) for the year	0.94	0.01	(3.23)	1.42	2.89
Total increase (decrease) from operations ⁽²⁾	(1.86)	(2.88)	(2.06)	3.53	2.78
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	0.06	—	—	—	—
Total distributions to Shareholders ⁽³⁾	0.06	—	—	—	—
Net Assets, end of the year	6.09	7.74	10.17	11.96	8.43

- (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 per share 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 year.
- (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⁾	59,908	76,980	92,186	116,476	73,111
Number of shares outstanding ⁽¹⁾	9,821,572	9,909,609	9,067,021	9,707,218	8,638,251
Management expense ratio ⁽²⁾	2.95%	2.82%	4.73%	5.29%	4.82%
Management expense ratio before waivers or absorptions ⁽²⁾	2.95%	2.82%	4.73%	5.29%	4.82%
Trading expense ratio ⁽³⁾	0.74%	0.50%	0.50%	0.37%	0.34%
Portfolio turnover rate ⁽⁴⁾	170.06%	104.60%	121.62%	100.06%	88.34%
Net asset value per share (\$)	6.10	7.77	10.17	12.00	8.46

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

Series F
The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	7.74	10.07	11.75	8.29	5.77
Increase (decrease) from operations:					
Total revenue	0.21	0.02	0.02	0.18	0.03
Total expenses	(0.13)	(0.16)	(0.45)	(0.49)	(0.32)
Realized gains (losses) for the year	(2.77)	(2.61)	1.25	2.47	0.27
Unrealized gains (losses) for the year	1.29	0.70	(3.26)	1.08	2.14
Total increase (decrease) from operations ⁽²⁾	(1.40)	(2.05)	(2.44)	3.24	2.12
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	0.06	—	—	—	—
Total distributions to Shareholders ⁽³⁾	0.06	—	—	—	—
Net Assets, end of the year	6.14	7.74	10.07	11.75	8.29

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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 year.
- (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⁾	1,067	1,093	1,637	1,045	397
Number of shares outstanding ⁽¹⁾	173,271	140,741	162,639	88,668	47,677
Management expense ratio ⁽²⁾	2.00%	1.89%	3.81%	5.12%	4.73%
Management expense ratio before waivers or absorptions ⁽²⁾	2.00%	1.89%	3.81%	5.12%	4.73%
Trading expense ratio ⁽³⁾	0.74%	0.50%	0.50%	0.37%	0.34%
Portfolio turnover rate ⁽⁴⁾	170.06%	104.60%	121.62%	100.06%	88.34%
Net asset value per share (\$)	6.16	7.76	10.07	11.79	8.32

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

Series L
The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	For the period from amalgamation on February 28, 2011 to October 31, 2011 \$
Net Assets, beginning of the year	8.74	11.49	15.94*
Increase (decrease) from operations:			
Total revenue	0.23	0.03	0.02
Total expenses	(0.14)	(0.28)	(0.30)
Realized gains (losses) for the year	(3.46)	(2.97)	—
Unrealized gains (losses) for the year	1.47	0.30	(4.27)
Total increase (decrease) from operations ⁽²⁾	(1.90)	(2.92)	(4.55)
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	0.06	—	—
Total distributions to Shareholders ⁽³⁾	0.06	—	—
Net Assets, end of the year	6.96	8.74	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 year.
- (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⁾	14,527	26,380	46,939
Number of shares outstanding ⁽¹⁾	2,084,273	3,007,667	4,088,336
Management expense ratio ⁽²⁾	1.89%	2.86%	3.40%
Management expense ratio before waivers or absorptions ⁽²⁾	1.89%	2.86%	3.40%
Trading expense ratio ⁽³⁾	0.74%	0.50%	0.50%
Portfolio turnover rate ⁽⁴⁾	170.06%	104.60%	121.62%
Net asset value per share (\$)	6.97	8.77	11.48

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

* Initial price

Series X
The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	For the period from commencement of operations on January 26, 2012 to October 31, 2012 \$
Net Assets, beginning of the year	8.24	10.55*
Increase (decrease) from operations:		
Total revenue	0.22	0.02
Total expenses	(0.17)	(0.14)
Realized gains (losses) for the year	(3.03)	(2.32)
Unrealized gains (losses) for the year	1.32	0.12
Total increase (decrease) from operations ⁽²⁾	(1.66)	(2.32)
Distributions to Shareholders:		
From income (excluding dividends)	0.06	—
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total distributions to Shareholders ⁽³⁾	0.06	—
Net Assets, end of the year	6.51	8.24

- (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 per share 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 year.
- (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⁾	6	8
Number of shares outstanding ⁽¹⁾	947	947
Management expense ratio ⁽²⁾	2.47%	2.05%
Management expense ratio before waivers or absorptions ⁽²⁾	2.47%	2.05%
Trading expense ratio ⁽³⁾	0.74%	0.50%
Portfolio turnover rate ⁽⁴⁾	170.06%	104.60%
Net asset value per share (\$)	6.52	8.26

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

* 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. Effective October 1, 2012, management fee of Series L was reduced to 1.1% of the net asset value as the Manager has received all cost recovery amounts related to the agent's fees and additional offering expenses of Front Street Resource Performance Fund Limited's initial public offering.

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.

Pursuant to the press release dated October 8, 2013, the Manager waived any applicable performance fees until further notice.

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 quarterly at rates set within ranges according to the following table.

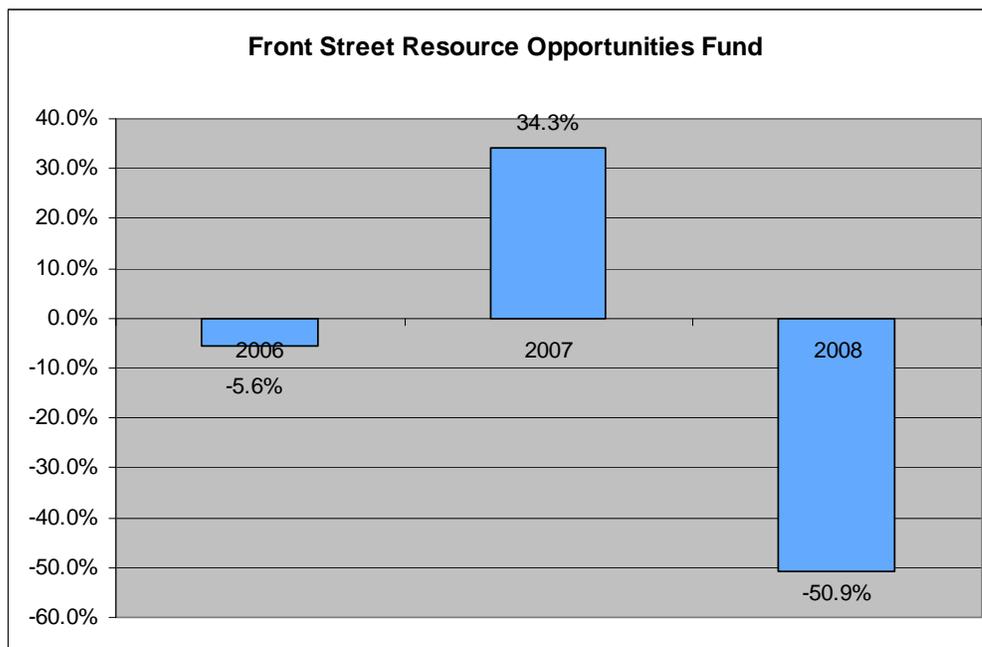
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
L	0.40%	\$4.00
X	0.50%	\$5.00

PAST PERFORMANCE

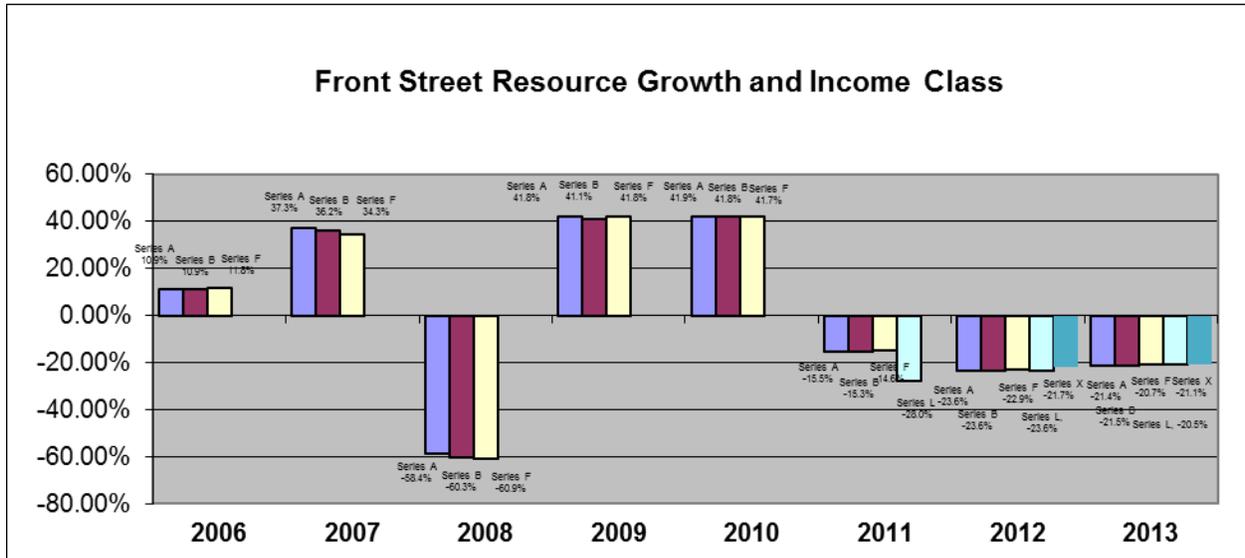
The past performance of the Fund is set out below and includes year-by-year returns.

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 Growth and Income Class, a class of Front Street Mutual Funds Ltd. The Fund was merged with 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. The Fund also merged with Front Street Resource Performance Fund Ltd. on February 28, 2011 and Series L commenced operations.

Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the past five, three, one financial year periods and since inception, as at October 31, 2013 and as compared to the performance of the S&P/TSX Composite Index and blended benchmark index using 25% of S&P/TSX Capped Gold Index, 25% of S&P/TSX Paper & Forest Product Index, 25% of S&P/TSX Diversified Materials Index and 25% of S&P/TSX Diversified Energy Index ("Blended Benchmark Index").

Front Street Resource Growth and Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since inception on June 22, 2006
Series A	0.59%	-19.99%	-20.69%	0.59%	-5.61%
Series B	0.54%	-19.92%	-20.69%	0.54%	-6.32%
S&P/TSX Composite Index	6.48%	1.77%	7.55%	6.48%	1.75%
Blended Benchmark Index	5.08%	-10.43%	-10.53%	5.08%	-0.22%

Front Street Resource Growth and Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since inception on July 13, 2006
Series F	1.16%	-19.21%	-19.93%	1.16%	-6.27%
S&P/TSX Composite Index	6.48%	1.77%	7.55%	6.48%	1.93%
Blended Benchmark Index	5.08%	-10.43%	-10.53%	5.08%	0.06%

The above annual compound returns are for Front Street Resource Growth and Income Class and does not include the returns or performance of the Front Street Resource Opportunities Fund which merged with the continuing Fund being Front Street Resource Fund on November 1, 2008.

Front Street Resource Growth and Income Class	Past 1 year	Since inception/amalgamation on February 28, 2011
Series L	-19.83%	-26.43%
S&P/TSX Composite Index	7.55%	-2.09%
Blended Benchmark Index	-10.53%	-14.75%

Front Street Resource Growth and Income Class	Past 1 year	Since inception on January 26, 2012
Series X	-20.30%	-24.17%
S&P/TSX Composite Index	7.55%	4.11%
Blended Benchmark Index	-10.53%	-6.21%

The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity of stocks listed on the TSX.

Summary of Investment Portfolio as at October 31, 2013

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	66.6%
Materials	16.3%
Corporate Bonds	14.7%
Mutual Funds	1.4%
Financials	1.3%
Bank overdraft	-0.4%
Others	0.1%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
Crescent Point Energy Corporation	7.8%
Whitecap Resources Inc.	7.6%
Laricina Energy Limited	5.9%
Vermilion Energy Inc.	5.0%
Enerplus Corporation	4.7%
Bonterra Energy Corporation	3.7%
Surge Energy Inc.	3.6%
Baytex Energy Corporation	3.5%
Twin Butte Energy Limited	2.6%
DeeThree Exploration Limited	2.6%
Freeport-McMoRan Copper & Gold Inc.	2.5%
Nucor Corporation	2.4%
Caracal Energy Inc.	2.4%
PHX Energy Services Corporation	2.3%
CanElson Drilling Inc.	2.3%
ARC Resources Limited	2.1%
Labrador Iron Ore Royalty Corporation	2.0%
Birchcliff Energy Limited Series C	1.9%
Canadian Energy Services & Technology Corporation	1.9%
Mullen Group Limited	1.8%
Nevsun Resources Limited	1.7%
Teck Resources Limited 'B'	1.6%
West Fraser Timber Company Limited	1.6%
Mawson West Limited	1.6%
Front Street U.S. MLP Income Fund Limited	1.4%
	76.5%
TOTAL TRANSACTIONAL NET ASSET VALUE ('000s)	\$77,298

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

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Resource Growth and Income Class (formerly Front Street Resource Class) of Front Street Mutual Funds Limited have been prepared by the management of Front Street Capital 2004, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

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

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

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

On behalf of Management of Front Street Capital 2004,
Manager of the Fund.



Gary P. Selke
Management Committee Member
Front Street Capital 2004



Normand G. Lamarche
Management Committee Member
Front Street Capital 2004

January 24, 2014
Toronto, Ontario



SEGAL LLP
Chartered Professional Accountants
An independent member of DFK International

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

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info@segallp.com

segallp.com

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Front Street Resource Growth and Income Class
(Formerly Front Street Resource Class) (the "Fund") of Front Street Mutual Funds Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Front Street Resource Growth and Income Class which comprise the statements of net assets as at October 31, 2013 and 2012, the statements of operations and the statements of changes in net assets for the years then ended, the statement of investment portfolio as at October 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Independent Auditor's Report
Page 2

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street Resource Growth and Income Class as at October 31, 2013 and 2012 and its operations and changes in net assets for the years then ended and the investment portfolio as at October 31, 2013 in accordance with Canadian generally accepted accounting principles.

Segal LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 24, 2014

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENTS OF NET ASSETS
AS AT OCTOBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Investments, at fair value (cost - \$77,677,272; 2012 - \$123,078,279)	\$ 77,397,859	\$ 108,106,074
Accounts receivable relating to portfolio assets sold	399,534	252,669
Amounts receivable relating to accrued income	364,637	-
Accounts receivable relating to shares issued	<u>254,110</u>	<u>100</u>
	<u>\$ 78,416,140</u>	<u>\$ 108,358,843</u>
LIABILITIES		
Accrued expenses, note 7	\$ 566,377	\$ 553,289
Bank overdraft	344,993	345,582
Accounts payable relating to shares redeemed	343,265	338,645
Liabilities for portfolio assets purchased	<u>-</u>	<u>241,686</u>
	<u>1,254,635</u>	<u>1,479,202</u>
Net assets representing shareholders' equity	<u>\$ 77,161,505</u>	<u>\$ 106,879,641</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 1,786,413	\$ 2,743,627
Shares outstanding, Series A, note 3	277,254	334,969
Net assets per share, Series A	<u>\$ 6.44</u>	<u>\$ 8.19</u>
Net assets, Series B	\$ 59,802,459	\$ 76,740,838
Shares outstanding, Series B, note 3	9,821,572	9,909,609
Net assets per share, Series B	<u>\$ 6.09</u>	<u>\$ 7.74</u>
Net assets, Series F	\$ 1,064,705	\$ 1,089,424
Shares outstanding, Series F, note 3	173,271	140,741
Net assets per share, Series F	<u>\$ 6.14</u>	<u>\$ 7.74</u>
Net assets, Series L	\$ 14,501,762	\$ 26,297,953
Shares outstanding, Series L, note 3	2,084,273	3,007,667
Net assets per share, Series L	<u>\$ 6.96</u>	<u>\$ 8.74</u>
Net assets, Series X	\$ 6,166	\$ 7,799
Shares outstanding, Series X, note 3	947	947
Net assets per share, Series X	<u>\$ 6.51</u>	<u>\$ 8.24</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 GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
Investment income		
Dividends	\$ 3,111,026	\$ 300,995
Security lending revenue, note 8	81,085	32,044
Interest	229,928	11,591
Less: Foreign withholding taxes	<u>(428,137)</u>	<u>(999)</u>
	<u>2,993,902</u>	<u>343,631</u>
Expenses		
Management fees, notes 4 and 7	1,393,846	2,306,491
Servicing fees, notes 4 and 7	811,145	1,064,801
Administration fees	191,143	71,505
Operating costs, notes 4 and 7	55,153	84,170
Audit fees	50,001	62,995
Securityholder reporting costs	35,515	25,469
Legal fees	33,824	38,688
Independent review committee	5,492	5,206
Compensatory dividends	-	2,310
	<u>2,576,119</u>	<u>3,661,635</u>
Net investment income (loss) for the year	<u>417,783</u>	<u>(3,318,004)</u>
Net realized and unrealized gains (losses) on investments		
Net realized loss on the sale of investments	(40,629,427)	(39,576,851)
Transaction costs, notes 6 and 7	(695,729)	(650,195)
Change in the unrealized appreciation of the value of investments	<u>14,663,415</u>	<u>1,362,310</u>
Net loss on investments for the year	<u>(26,661,741)</u>	<u>(38,864,736)</u>
Net decrease in net assets from operations for the year	<u>\$ (26,243,958)</u>	<u>\$ (42,182,740)</u>
Decrease in net assets from operations applicable to outstanding shares allocated as follows:		
Decrease in net assets from operations, Series A	\$ (533,010)	\$ (914,626)
Decrease in net assets from operations per share, Series A	<u>\$ (1.79)</u>	<u>\$ (2.62)</u>
Decrease in net assets from operations, Series B	\$ (20,801,952)	\$ (30,707,817)
Decrease in net assets from operations per share, Series B	<u>\$ (1.86)</u>	<u>\$ (2.88)</u>
Decrease in net assets from operations, Series F	\$ (197,093)	\$ (302,783)
Decrease in net assets from operations per share, Series F	<u>\$ (1.40)</u>	<u>\$ (2.05)</u>
Decrease in net assets from operations, Series L	\$ (4,710,327)	\$ (10,255,313)
Decrease in net assets from operations per share, Series L	<u>\$ (1.90)</u>	<u>\$ (2.92)</u>
Decrease in net assets from operations, Series X	\$ (1,576)	\$ (2,201)
Decrease in net assets from operations per share, Series X	<u>\$ (1.66)</u>	<u>\$ (2.32)</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
Series A		
Net assets, beginning of year	\$ 2,743,627	\$ 3,844,319
Net decrease in net assets from operations	<u>(533,010)</u>	<u>(914,626)</u>
Distributions to shareholders		
Return of capital	<u>(16,579)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	199,692	178,465
Aggregate amounts paid on the redemption of shares	(623,086)	(364,531)
Shares issued on reinvestment of distributions	<u>15,769</u>	<u>-</u>
	<u>(407,625)</u>	<u>(186,066)</u>
Net decrease in net assets for the year	<u>(957,214)</u>	<u>(1,100,692)</u>
Net assets, end of year	<u>\$ 1,786,413</u>	<u>\$ 2,743,627</u>
Series B		
Net assets, beginning of year	\$ 76,740,838	\$ 92,237,399
Net decrease in net assets from operations	<u>(20,801,952)</u>	<u>(30,707,817)</u>
Distributions to shareholders		
Return of capital	<u>(609,731)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	61,341,135	89,620,541
Aggregate amounts paid on the redemption of shares	(57,474,751)	(74,409,285)
Shares issued on reinvestment of distributions	<u>606,920</u>	<u>-</u>
	<u>4,473,304</u>	<u>15,211,256</u>
Net decrease in net assets for the year	<u>(16,938,379)</u>	<u>(15,496,561)</u>
Net assets, end of year	<u>\$ 59,802,459</u>	<u>\$ 76,740,838</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
Series F		
Net assets, beginning of year	\$ 1,089,424	\$ 1,638,374
Net decrease in net assets from operations	<u>(197,093)</u>	<u>(302,783)</u>
Distributions to shareholders		
Return of capital	<u>(9,881)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	621,493	273,423
Aggregate amounts paid on the redemption of shares	(447,651)	(519,590)
Shares issued on reinvestment of distributions	<u>8,413</u>	<u>-</u>
	<u>182,255</u>	<u>(246,167)</u>
Net decrease in net assets for the year	<u>(24,719)</u>	<u>(548,950)</u>
Net assets, end of year	<u>\$ 1,064,705</u>	<u>\$ 1,089,424</u>
Series L		
Net assets, beginning of year	\$ 26,297,953	\$ 46,965,269
Net decrease in net assets from operations	<u>(4,710,327)</u>	<u>(10,255,313)</u>
Distributions to shareholders		
Return of capital	<u>(126,704)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	-	-
Aggregate amounts paid on the redemption of shares	(7,085,635)	(10,412,003)
Shares issued on reinvestment of distributions	<u>126,475</u>	<u>-</u>
	<u>(6,959,160)</u>	<u>(10,412,003)</u>
Net decrease in net assets for the year	<u>(11,796,191)</u>	<u>(20,667,316)</u>
Net assets, end of year	<u>\$ 14,501,762</u>	<u>\$ 26,297,953</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
Series X		
Net assets, beginning of year	\$ 7,799	\$ -
Net decrease in net assets from operations	<u>(1,576)</u>	<u>(2,201)</u>
Distributions to shareholders		
Return of capital	<u>(57)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	-	10,000
Aggregate amounts paid on the redemption of shares	-	-
Shares issued on reinvestment of distributions	<u>-</u>	<u>-</u>
	<u>-</u>	<u>10,000</u>
Net increase (decrease) in net assets for the year	<u>(1,633)</u>	<u>7,799</u>
Net assets, end of year	<u>\$ 6,166</u>	<u>\$ 7,799</u>
Total		
Net assets, beginning of year	\$ 106,879,641	\$ 144,685,361
Net decrease in net assets from operations	<u>(26,243,958)</u>	<u>(42,182,740)</u>
Distributions to shareholders		
Return of capital	<u>(762,952)</u>	<u>-</u>
Shareholder transactions		
Proceeds from the issuance of shares	62,162,320	90,082,429
Aggregate amounts paid on the redemption of shares	(65,631,123)	(85,705,409)
Shares issued on reinvestment of distributions	<u>757,577</u>	<u>-</u>
	<u>(2,711,226)</u>	<u>4,377,020</u>
Net decrease in net assets for the year	<u>(29,718,136)</u>	<u>(37,805,720)</u>
Net assets, end of year	<u>\$ 77,161,505</u>	<u>\$ 106,879,641</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions (100.3%)			
Corporate Bonds (14.7%)			
Alliance Grain Traders 9.000%, February 14, 2018	1,000,000	\$ 1,017,500	\$ 1,017,490
Baytex Energy Corporation 6.750%, February 17, 2021	500,000	533,574	537,298
Baytex Energy Corporation 6.625%, July 19, 2022	500,000	521,250	517,620
Boart Longyear Management 7.000%, April 1, 2021	1,000,000	1,004,892	770,214
Enbridge Energy Partners 8.050%, October 1, 2037	500,000	593,796	586,724
Ineos Finance PLC 8.375%, February 15, 2019	500,000	570,818	579,776
Linn Energy LLC Financial Corporation 7.750%, February 1, 2021	1,000,000	1,053,010	1,079,812
MarkWest Energy Partnership Finance 4.500%, July 15, 2023	1,000,000	952,105	1,014,606
Meg Energy Corporation 6.500%, March 15, 2021	250,000	264,724	272,235
Newalta Corporation 7.750%, November 14, 2019	500,000	534,375	531,525
Nova Chemicals Corporation 5.250%, August 1, 2023	1,000,000	1,036,336	1,066,771
RTL-Westcan LP 9.500%, April 7, 2017	500,000	522,500	518,750
Servestal Columbus LLC 10.250%, February 15, 2018	250,000	274,547	276,800
Sherritt International Corporation 8.000%, November 15, 2018	350,000	352,940	341,299
Terrace Energy Corporation 8.000% Convertible Note, April 2, 2018	1,000,000	1,000,000	1,000,000
Wajax Corporation 6.125%, October 23, 2020	250,000	250,000	250,118
Western Energy Services 7.875%, January 30, 2019	1,000,000	<u>1,015,000</u>	<u>1,015,430</u>
		<u>\$ 11,497,367</u>	<u>\$ 11,376,468</u>
Energy (66.6%)			
Africa Hydrocarbons Inc.	1,388,900	\$ 229,169	\$ 326,392
Africa Hydrocarbons Inc. Warrants	694,450	20,834	33,354
Andora Energy Corporation	332,107	895,998	132,843
ARC Resources Limited	60,000	1,599,612	1,656,000
Baytex Energy Corporation	63,000	2,613,184	2,740,500
Birchcliff Energy Limited Series C 7% Preferred	60,000	1,500,000	1,438,800
Bonterra Energy Corporation	49,114	2,337,086	2,851,068
Canadian Energy Services & Technology Corporation	76,259	1,161,590	1,431,381
CanElson Drilling Inc.	282,750	1,343,063	1,753,050
Canyon Services Group Inc.	65,000	766,355	735,150
Caracal Energy Inc.	229,500	1,012,030	1,842,030
Crescent Point Energy Corporation	148,000	5,543,120	5,992,519
DeeThree Exploration Limited	216,900	1,143,886	1,973,790

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Energy (66.6%) (continued...)			
Dolomite Energy Inc.	1,416,000	1,203,600	495,600
Enerplus Corporation	200,000	2,853,557	3,596,000
Estrella International Energy Services Limited Warrants	344,128	-	-
Laricina Energy Limited	228,100	6,898,044	4,562,000
Lipari Energy Inc. Warrants	301,399	1,104	1,507
Mullen Group Limited	50,000	1,062,532	1,385,000
Oil Reserve Inc.	2,666,667	800,000	453,333
Oilsands Quest Inc.	136,000	162,916	2,838
PHX Energy Services Corporation	144,300	1,518,969	1,769,118
Surge Energy Inc.	400,000	2,287,000	2,784,000
Torc Oil & Gas Limited	100,000	873,000	999,000
Triaxon Oil Corporation	655,000	982,500	458,500
Tuya Energy Inc. Restricted	2,700,000	675,000	189,000
Twin Butte Energy Limited	900,000	1,755,000	1,971,000
Vermilion Energy Inc.	68,000	3,389,828	3,896,400
Whitecap Resources Inc.	486,795	<u>4,537,488</u>	<u>5,890,220</u>
		<u>\$ 49,166,465</u>	<u>\$ 51,360,393</u>
Financials (1.3%)			
Weyerhaeuser Company	32,200	<u>\$ 961,490</u>	<u>\$ 1,021,598</u>
Materials (16.3%)			
Amerix Precious Metals Corporation Warrants	1,171,822	\$ -	\$ 1
Cadillac Ventures Inc. Warrants	1,305,000	1	1
Canada Coal Inc. Warrants	2,000,000	2	2
East Asia Minerals Corporation Warrants	1,913,745	-	2
Explor Resources Inc. Warrants	3,000,000	3	3
Flemish Gold Corporation	620,095	465,071	62,010
Freeport-McMoRan Copper & Gold Inc.	50,000	1,615,998	1,917,058
Ginguro Exploration Inc. Warrants	416,666	-	23,473
Graphite One Resources Inc. Warrants	812,500	1	16,156
IAMGOLD Corporation	150,000	856,640	798,000
Kombat Copper Inc. Warrants	866,000	1	1
Labrador Iron Mines Holdings Limited Warrants	399,400	55,916	11,982
Labrador Iron Ore Royalty Corporation	50,000	1,569,057	1,580,000
Mawson West Limited	2,318,992	2,884,999	1,159,496

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Materials (16.3%) (continued...)			
Mega Precious Metals Inc. Warrants	1,153,850	1	1
Mincore Inc.	3,583,213	1,145,803	250,825
Nevsun Resources Limited	350,000	1,201,718	1,330,000
Noranda Income Fund	200,000	1,051,485	1,028,000
Nucor Corporation	34,600	1,652,735	1,869,158
Passport Potash Inc. Warrants	1,250,000	-	1
Teck Resources Limited 'B'	45,000	1,340,903	1,255,500
West Fraser Timber Company Limited	13,000	<u>1,108,763</u>	<u>1,237,730</u>
		<u>\$ 14,949,097</u>	<u>\$ 12,539,400</u>
Mutual Fund (1.4%)			
Front Street U.S. MLP Income Fund Limited	100,000	<u>\$ 1,102,853</u>	<u>\$ 1,100,000</u>
Total Long Positions (100.3%)		<u>\$ 77,677,272</u>	<u>\$ 77,397,859</u>
Transaction costs, note 2		<u>\$ (75,973)</u>	
Total Investments (100.3%)		<u>\$ 77,601,299</u>	77,397,859
Bank overdraft (-0.4%)			(344,993)
Other assets less other liabilities (0.1%)			<u>108,639</u>
Net assets (100.0%)			<u>\$ 77,161,505</u>

See accompanying notes to the financial statements

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

1. **THE FUND**

Front Street Resource Growth and Income Class (formerly Front Street Resource Class) (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Pursuant to the notice of change in legal structure, the name of the Fund was changed to Front Street Resource Class on June 27, 2012. On July 18, 2013, the name of the Fund was changed to Front Street Resource Growth and Income Class. 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 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	\$ 70,843,116
Total liabilities	<u>294,842</u>
Net assets representing partners' equity	<u>\$ 70,548,274</u>

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

	Shares	Transactional NAV
Series B	<u>6,760,782</u>	<u>\$ 70,548,274</u>

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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

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

Total assets	\$ 18,720,250
Total liabilities	<u>148,077</u>
Net assets representing partners' equity	<u>\$ 18,572,173</u>

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

	Shares	Transactional NAV
Series B	<u>1,779,812</u>	<u>\$ 18,572,173</u>

On January 31, 2013, the Fund acquired the net assets of Front Street Flow-Through 2011-I Limited Partnership and Front Street Flow-Through 2011-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 1.252494 Series B shares of the Fund for each Front Street Flow Through 2011-I Limited Partnership unit and 1.500908 Series B shares of the Fund for each Front Street Flow Through 2011-II Limited Partnership unit respectively.

The net assets of the Front Street Flow-Through 2011-I Limited Partnership acquired were as follows:

Total assets	\$ 48,156,682
Total liabilities	<u>268,595</u>
Net assets representing partners' equity	<u>\$ 47,888,087</u>

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

	Shares	Transactional NAV
Series B	<u>6,490,979</u>	<u>\$ 47,888,087</u>

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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

The net assets of the Front Street Flow Through 2011-II Limited Partnership acquired were as follows:

Total assets	\$ 13,417,299
Total liabilities	<u>129,585</u>
Net assets representing partners' equity	<u>\$ 13,287,714</u>

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

	Shares	Transactional NAV
Series B	<u>1,801,090</u>	<u>\$ 13,287,714</u>

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at October 31, 2013.

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. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The fundamental investment objective of the Fund is to provide current income and long-term capital appreciation by investing in a diversified portfolio of North American resource equity and income securities, including dividend paying or distribution paying North American resource equity and income securities such as common shares, income trust units, convertible bonds, and, to a lesser extent, interest-bearing securities such as corporate bonds. The Fund may, from time to time, engage in the short-selling of securities that the Investment Advisor believes are overvalued.

The fundamental investment objective of the Fund cannot be changed without the approval of its shareholders.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS

(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2013 AND 2012

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

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 9) 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 RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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 RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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 10 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 12 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. Realized and unrealized 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 RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

g) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with commitment to redeliver the same securities on a future date. The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the statements of operations - securities lending revenue.

h) 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.

i) 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 year.

j) 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 year.

k) 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 11 for additional details.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

l) 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.

m) 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 year. 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.

n) 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 and IFRS 9, Financial Instruments, require shareholders' equity to be classified as liability unless certain criteria are met. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

n) Future accounting pronouncements(Continued...)

- (b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- (c) 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. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit and Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund's financial statements.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Fund's financial statements. The adoption of IFRS is not expected to have a significant impact on the calculation of NAV per share. In particular, the Fund will be required to present 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 GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

3. SHARES ISSUED AND OUTSTANDING

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in five 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

Redemption or switch fees payable to the Manager would be applicable upon the redemption or conversion of this series of shares on or prior to October 31, 2013, to compensate the Manager, in part, for paying the agents' fees and the expenses of the Front Street Resource 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	Charge 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

Effective October 1, 2012, no redemption fees are applicable as the Manager has received all cost recovery amounts.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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

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.

The following share transactions took place during the year:

	2013	2012
Shares outstanding, beginning of the year:		
Series A	334,969	357,157
Series B	9,909,609	9,067,021
Series F	140,741	162,639
Series L	3,007,667	4,088,336
Series X	947	-
Shares issued during the year:		
Series A	30,002	17,912
Series B	8,317,160	8,594,343
Series F	97,991	34,334
Series L	-	-
Series X	-	947
Shares distributions reinvested during the year:		
Series A	2,511	-
Series B	102,225	-
Series F	1,403	-
Series L	18,652	-
Series X	-	-
Shares redeemed during the year:		
Series A	90,228	40,100
Series B	8,507,422	7,751,755
Series F	66,864	56,232
Series L	942,046	1,080,669
Series X	-	-
Shares outstanding, end of the year:		
Series A	277,254	334,969
Series B	9,821,572	9,909,609
Series F	173,271	140,741
Series L	2,084,273	3,007,667
Series X	947	947

FRONT STREET RESOURCE GROWTH AND INCOME CLASS (Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS **OCTOBER 31, 2013 AND 2012**

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. Effective October 1, 2012, management fee of Series L was reduced to 1.1% of the net asset value as the Manager has received all cost recovery amounts related to the agent's fees and additional offering expenses of Front Street Resource Performance Fund Limited's initial public offering.

The Fund pays a monthly service fee of 1/12 of 1.0% of the net asset value of the Series A and Series B shares and 1/12 of 0.4% 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 0.5% of the net asset value of Series X shares, calculated and paid at the end of each month in arrears.

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.

Pursuant to the press release dated October 8, 2013, the Manager waived any applicable performance fees until further notice.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
(Formerly Front Street Resource Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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.

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 corporation's shares are qualified investments for registered plans.

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2013 was \$695,729 (2012 - \$650,195).

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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7. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees, note 4	<u>\$ 1,393,846</u>	<u>\$ 2,306,491</u>
Servicing fees, note 4	<u>\$ 811,145</u>	<u>\$ 1,064,801</u>
Operating costs, note 4	<u>\$ 55,153</u>	<u>\$ 84,170</u>
Redemption fees	<u>\$ -</u>	<u>\$ 355,584</u>

Included in accrued expenses payable to the Manager were as follows:

	2013	2012
Management fees payable	\$ 102,244	\$ 167,609
Servicing fees payable	57,365	83,177
Operating costs payable	<u>10,129</u>	<u>43,338</u>
	<u>\$ 169,738</u>	<u>\$ 294,124</u>

The following are shares held by the related parties of the Fund:

	2013	2012
Series B shares held by Partners of the Manager	15,525.36	20,773.35
Percentage of Series B shares held by the Partners of the Manager	0.16%	0.21%
Series F shares held by relatives of the Partners of the Manager	872.82	866.94
Percentage of Series F shares held by the relatives of Partners of the Manager	0.50%	0.62%
Series L shares held by the Partners of the Manager	220,813.87	394,993.93
Percentage of Series L shares held by the Partners of the Manager	10.59%	13.13%
Series L shares held by the relatives of the Partners of the Manager	82,289.63	81,800.00
Percentage of Series L shares held by the relatives of the Partners of the Manager	3.95%	2.72%

As at October 31, 2013, the Fund held 100,000 shares (2012 - Nil), representing 1.4% (2012 - Nil) of the net assets, in Front Street U.S. MLP Income Fund Limited which was also managed by the Manager.

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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

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

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution-only basis. During the year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$1,215 (2012 - \$6,764) in commissions on portfolio transactions for the Fund.

Management 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.

8. **SECURITIES LENDING**

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the year the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at October 31, 2013 and October 31, 2012, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows:

	2013	2012
Value of securities loaned	<u>\$ 5,083,128</u>	<u>\$ 9,436,519</u>
Value of collateral received	<u>\$ 5,258,767</u>	<u>\$ 9,687,888</u>

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NOTES TO THE FINANCIAL STATEMENTS
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9. 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 years 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.

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

As at October 31, 2013

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 1,789,562	\$ (3,149)	\$ 1,786,413	\$ 6.45	\$ 6.44
Series B	59,907,894	(105,435)	59,802,459	6.10	6.09
Series F	1,066,582	(1,877)	1,064,705	6.16	6.14
Series L	14,527,359	(25,597)	14,501,762	6.97	6.96
Series X	6,177	(11)	6,166	6.52	6.51
Total	\$ 77,297,574	\$ (136,069)	\$ 77,161,505		

As at October 31, 2012

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 2,752,190	\$ (8,563)	\$ 2,743,627	\$ 8.22	\$ 8.19
Series B	76,980,359	(239,521)	76,740,838	7.77	7.74
Series F	1,092,822	(3,398)	1,089,424	7.76	7.74
Series L	26,379,964	(82,011)	26,297,953	8.77	8.74
Series X	7,823	(24)	7,799	8.26	8.24
Total	\$ 107,213,158	\$ (333,517)	\$ 106,879,641		

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NOTES TO THE FINANCIAL STATEMENTS
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10. **FINANCIAL INSTRUMENTS**

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

As at October 31,

	2013	2012
Assets		
Held for trading	\$ 77,397,859	\$ 108,106,074
Loans and receivables	<u>1,018,281</u>	<u>252,769</u>
Total Assets	<u>\$ 78,416,140</u>	<u>\$ 108,358,843</u>
Liabilities		
Other financial liabilities at amortized cost	\$ 909,642	\$ 1,133,620
Bank overdraft	<u>344,993</u>	<u>345,582</u>
Total liabilities	<u>\$ 1,254,635</u>	<u>\$ 1,479,202</u>
Net Assets	<u>\$ 77,161,505</u>	<u>\$ 106,879,641</u>

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

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
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10. **FINANCIAL INSTRUMENTS** (Continued...)

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 October 31, 2013, 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 prices or investment specific events.

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

10. **FINANCIAL INSTRUMENTS** (Continued...)

ii) Currency risk (continued...)

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

Currency	Investments, at Fair Value	Cash	Net Exposure	Percentage of GAAP NA
United States Dollar	\$ 7,768,594	\$ -	\$ 7,768,594	10.07%
Australian Dollar	1,929,710	-	1,929,710	2.50%
British Pound Sterling	<u>579,776</u>	<u>-</u>	<u>579,776</u>	<u>0.75%</u>
	<u>\$ 10,278,080</u>	<u>\$ -</u>	<u>\$ 10,278,080</u>	<u>13.32%</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 October 31, 2013, there were 14.7% (2012 - Nil%) of net assets in debt instruments. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest Bearing	Total
Held for trading	\$ -	\$ 11,376,468	\$ 66,021,391	\$ 77,397,859
Other receivables	<u>-</u>	<u>-</u>	<u>1,018,281</u>	<u>1,018,281</u>
Total	<u>\$ -</u>	<u>\$ 11,376,468</u>	<u>\$ 67,039,672</u>	<u>\$ 78,416,140</u>
Financial liabilities				
Other financial liabilities	\$ -	\$ -	\$ 909,642	\$ 909,642
Bank overdraft	<u>344,993</u>	<u>-</u>	<u>-</u>	<u>344,993</u>
Total	<u>\$ 344,993</u>	<u>\$ -</u>	<u>\$ 909,642</u>	<u>\$ 1,254,635</u>
GAAP NA				<u>\$ 77,161,505</u>

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2013 AND 2012

10. **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.

	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 74,500	\$ 11,985	\$ 2,813,040	\$ 8,563,428	\$ 65,934,906	\$ 77,397,859
Other receivables	<u>1,018,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,018,281</u>
Total	<u>\$ 1,092,781</u>	<u>\$ 11,985</u>	<u>\$ 2,813,040</u>	<u>\$ 8,563,428</u>	<u>\$ 65,934,906</u>	<u>\$ 78,416,140</u>
Financial liabilities						
Other financial liabilities	\$ 909,643	\$ -	\$ -	\$ -	\$ -	\$ 909,643
Bank overdraft	<u>344,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,992</u>
Total	<u>\$ 1,254,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,254,635</u>
GAAP NA						<u>\$ 77,161,505</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2013, the fair value of such assets was 9.9% (2012 - 11.0%) 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.

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NOTES TO THE FINANCIAL STATEMENTS
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10. **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 and the Fund's securities lending activities. 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 values as recorded in the Fund's Statement of Net Assets.

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 8). As at October 31, 2013, the Fund loaned securities with an aggregate fair value of \$5,083,128 (2012 - \$9,436,519) and received collateral with aggregate fair value of \$5,258,767 (2012 - \$9,687,888).

As at October 31, 2013, the Fund had 14.7% (2012 - Nil%) of net assets in debt instruments with the following credit ratings obtained from Standard and Poor's, Moody's or DBRS:

Debt instruments by credit rating	Percentage of GAAP NA
BB+	2.1%
BB	3.4%
BB-	0.7%
B+	3.4%
B	2.7%
Not available or not rated	2.4%

FRONT STREET RESOURCE GROWTH AND INCOME CLASS
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11. 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 2012.

The Fund does not have any externally imposed capital requirements.

12. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2013 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

Assets at fair value as at October 31, 2013	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Investments, at fair value	<u>\$ 59,342,778</u>	<u>\$ 10,450,971</u>	<u>\$ 7,604,110</u>	<u>\$ 77,397,859</u>

During the year ended October 31, 2013, reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, at fair value Equities	Investments, at fair value Bonds
Beginning balance as at November 1, 2012	\$ 11,736,124	\$ -
Purchases	2,678,600	1,000,000
Transfers out	(1,237,970)	-
Gains (losses)		
Unrealized	<u>(6,572,644)</u>	<u>-</u>
Balance at October 31, 2013	<u>\$ 6,604,110</u>	<u>\$ 1,000,000</u>

The transfer out of equities represents equities reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings.

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13. SUBSEQUENT EVENT

- a) On December 13, 2013, the Fund announced the acquisition of Front Street Flow-Through 2012-I Limited Partnership and Front Street Flow-Through 2012-II Limited Partnership on a tax deferred rollover basis (the "Mutual Fund Rollover Transaction"). The Mutual Fund Rollover Transaction will take place on or about January 16, 2014 after the close of business.
- b) Pursuant to the press release dated December 30, 2013, the Manager decided not to proceed with the mergers of Front Street Tactical Equity Class and Front Street Value Class into Front Street Growth and Income Class and Front Street Resource Growth and Income Class, respectively, each a mutual fund class within Front Street Mutual Funds Limited.