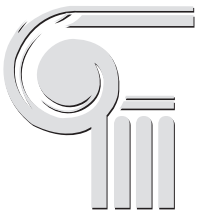

FRONT STREET
Mining Opportunities Fund

FRONT STREET MINING OPPORTUNITIES FUND

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2008

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF NET ASSETS
AS AT JUNE 30, 2008 (UNAUDITED) AND DECEMBER 31, 2007 (AUDITED)

	2008	2007
ASSETS		
Investments, at fair value (cost -$63,896,930; 2007 - $61,246,905)	$ 83,719,290	$ 86,145,607
Cash and cash equivalents	—	3,730,929
Due from broker	65,780	—
Accounts receivable relating to units issued	10,000	—
Accounts receivable relating to accrued income	107,124	115,856
	83,902,194	89,992,392
LIABILITIES		
Obligation from portfolio assets sold short, at fair value	813,545	3,114,770
Bank indebtedness	5,438,549	—
Accounts payable and accrued liabilities	264,431	238,291
Due to broker	477,900	—
Performance fees payable	—	3,481,604
Accounts payable relating to units redeemed	508,420	1,800,230
	7,502,845	8,634,895
Net assets representing unitholders' equity	$ 76,399,349	$ 81,357,497
Number of units outstanding, note 3	2,860,544	3,080,138
Net asset value per unit	$ 26.71	$ 26.41

Approved on behalf of Front Street Capital 2004, Manager of The Fund :

Normand G. Lamarche
Management Committee Member

Gary P. Selke
Management Committee Member

See accompanying notes to financial statements.

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008 AND 2007 (UNAUDITED)

	2008	2007
Investment income		
Dividend income	**$** 71,615	$ 187,992
Interest income	96,759	47,340
	168,374	235,332
Expenses		
Performance fees, note 4	—	4,712,291
Management fees, note 4	813,539	845,958
Operating costs	91,509	67,767
Interest	47,234	128,473
Legal fees	3,481	10,848
Audit fees	13,426	10,848
Custody fees	—	5,425
Trustees' fees	4,972	2,500
	974,161	5,784,110
Net investment loss	(805,787)	(5,548,778)
Net realized gain on investments		
Net realized gain on sale of investments	7,384,196	21,087,487
Transaction costs, notes 2 and 5	(126,006)	(245,533)
Change in the unrealized appreciation (depreciation) of the value of investments	(5,371,514)	1,489,444
	1,886,676	22,331,398
Net increase in net assets from operations for the period	**$** 1,080,889	$ 16,782,620

See accompanying notes to financial statements

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008 AND 2007 (UNAUDITED)

	2008	2007
Net assets, beginning of period	**$** 81,357,497	$ 72,247,152
Adoption of new accounting policy, notes 2 and 9	—	(958,789)
Adjusted net assets, beginning of period	81,357,497	71,288,363
Net increase in net assets from operation for the period	**$** 1,080,889	$ 16,782,620
Unitholder transactions		
Capital contributions	739,860	4,274,009
Redemptions	(6,778,897)	(5,564,399)
	(6,039,037)	(1,290,390)
Net increase in net assets for the period	(4,958,148)	15,492,230
Net assets, end of period	**$** 76,399,349	$ 86,780,593

See accompanying notes to financial statements

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2008

	Number of Shares/ Units	Cost $	Market Value $
Long positions (109.6%)			
Domestic (100.9%)			
Energy (23.6%)			
Coalcorp Mining Inc.	2,778,000	$ 4,278,120	$ 4,917,060
Crescent Resources Corporation	115,000	68,678	17,250
DOT Resources Limited	288,740	41,669	28,874
Southgobi Energy Resources	590,500	522,635	12,164,300
Virgin Resources Limited Private Placement	615,385	400,000	923,078
		5,311,102	18,050,562
Materials (75.9%)			
African Gold Group Inc.	224,000	280,000	181,440
Alhambra Resources Limited	1,365,000	800,081	887,250
Amerigo Resources Limited	629,200	1,303,513	962,676
Aurora Energy Resources Inc.	272,500	1,627,832	1,144,500
Buffalo Gold Limited Warrants	360,000	—	—
Canadian Gold Hunter Corporation	555,500	499,950	1,116,555
Canplats Resources Corporation	627,800	1,418,790	2,712,095
Canplats Resources Corporation Warrants	310,000	—	409,200
Capstone Mining Corporation	1,075,600	1,263,830	4,216,351
Chariot Resources Limited	2,502,533	1,110,578	2,352,381
Coalcorp Mining Inc. Warrants	2,778,000	722,280	1,000,080
Consolidated Global Diamond Company Warrants	500,000	—	1
Consolidated Global Diamond Corporation	360,000	72,000	54,000
Crowflight Minerals Inc.	1,000,000	277,200	475,000
Detour Gold Corporation	260,000	910,000	6,388,200
E-Energy Ventures Inc	3,285,000	720,525	558,450
East Asia Minerals Corporation	223,800	249,086	270,798
Entree Gold Inc.	567,100	1,368,767	1,105,845
Fortuna Silver Mines Inc.	807,500	1,334,625	1,655,375
GBS Gold International Inc.	600,000	900,000	864,000
Genco Resources Limited	400,000	1,500,000	660,000
Genco Resources Limited Warrants	200,000	—	—
Gold Wheaton Corporation Subscription Receipts Restricted	453,300	226,650	412,866
Goldgroup Resources Inc. Private Placement	800,000	1,000,000	1,000,000
Great Basin Gold Limited	200,000	470,380	686,000
Guyana Goldfields Inc.	274,100	1,330,112	1,170,407
International Royalty Corporation	388,500	1,718,142	2,090,130
Linear Metals Corporation	297,800	446,318	178,680
Lundin Mining Corporation	400,000	4,221,710	2,484,000

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2008

	Number of Shares/ Units	Cost $	Market Value $
Mansfield Minerals Inc.	365,900	1,073,586	834,252
Metalex Ventures Limited	555,500	256,919	191,648
Mirabela Nickel Limited	250,000	1,169,401	1,510,000
Miranda Gold Corporation	1,062,500	971,324	605,625
NWest Energy Inc.	2,000,000	1,000,000	910,000
Nevsun Resources Limited Warrants	125,000	—	—
New Gold Inc.	250,000	1,507,500	1,942,500
New Gold Inc. Warrants	200,000	308,000	420,000
Northern Star Mining Corporation	750,000	825,000	720,000
Peak Gold Limited	1,000,000	699,600	760,000
Red Back Mining Inc.	2,900	6,427	24,882
Revett Minerals Inc.	2,811,400	3,054,489	1,433,814
Roca Mines Inc.	725,750	1,072,795	1,589,393
Roca Mines Inc. Warrants	700,000	—	1
Rubicon Minerals Corporation	684,200	364,638	875,776
Serengeti Resources Inc.	100,000	172,510	49,500
Sherritt International Corporation	197,100	2,059,878	3,023,514
Silverstone Resources Corporation	665,885	969,857	1,744,619
Simberi Mining Corporation Warrants	2,625,000	—	3
Skygold Ventures Limited	1,100,000	1,485,000	825,000
Strategic Resource Acquisition Corporation	475,000	950,000	427,500
Sunridge Gold Corporation	709,600	876,807	603,160
Trilogy Metals Inc.Warrants	2,000,000	—	2
Uranium Participation Corporation	277,100	2,615,778	2,698,954
Wallbridge Mining Company Limited	1,037,000	324,295	295,545
Western Lithium Canada Corporation	500,000	251,250	250,000
Western Prospector Group Limited	26,400	88,324	19536
Wildcat Silver Corporation	500,000	366,000	165,000
Zazu Metals Corporation	1,857,100	2,754,088	1,021,405
		50,995,835	57,977,909
Industrial (1.1%)			
Virginia Uranium Limited	550,000	750,000	825,000
Financials (0.3%)			
Valencia Ventures Inc.	950,000	475,000	218,500
Total Domestic		$ 57,531,937	$ 77,071,971

FRONT STREET MINING OPPORTUNITIES FUND

STATEMENT OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2008

	Number of Shares/ Units	Cost $	Market Value $
Foreign (6.2%)			
U.S. Equities (2.7%)			
Business Bridge Corporation Private Placement	20	$ 2,095,909	$ 2,035,996
Vetana Gold Corporation	500,000	—	—
		2,095,909	2,035,996
Bermuda (0.2%)			
Wexford Energy Limited. Private Placement	750,000	170,484	152,700
Cayman Islands (0.3%)			
Talon Metals Corporation	437,281	546,601	253,623
France (3.0%)			
Foraco International	775,000	1,860,000	2,325,000
Total Foreign		$ 4,672,994	$ 4,767,319
Bonds (2.5%)			
New Gold Inc. Series D, 10.00%, June 28, 2017	2,000,000	1,692,000	1,880,000
Total Long Positions		$ 63,896,931	$ 83,719,290
Short Position (-1.1%)			
United Kingdom			
Xstrata PLC	(9,973)	(640,165)	(813,545)
Total Short Position		$ (640,165)	$ (813,545)
Transaction costs		(168,834)	—
Total Investments		$ 63,087,932	82,905,745
Cash and Cash equivalents (-7.1%)			(5,438,549)
Other assets less liabilities (-1.4%)			(1,067,847)
Net assets			$ 76,399,349

See accompanying notes to financial statements.

1. THE FUND

Front Street Mining Opportunities (the "Fund") is a mutual fund trust created under the laws of the Province of Ontario pursuant to a trust agreement dated January 3, 2005 (the "Trust Agreement"). HSBC Trust Company (Canada), is the trustee of the Fund (the "Trustee"). Front Street Capital 2004 (the "Manager") is responsible for providing investment advisory and portfolio management. BMO Nesbitt Burns Inc. is the custodian and Citigroup Fund Services Canada Inc. provides fund accounting and unitholder record keeping services.

The Fund's investment objective is to provide holders of Units ("Unitholders") with long term growth through capital appreciation by investing primarily in a diversified portfolio (the "portfolio") of common shares and common share equivalents of Canadian companies engaged in natural resource industries such as mining and minerals and precious metals. The Fund will also invest in speculative securities of junior issuers and early-stage companies in these sectors. The Fund may invest in companies and machinery and equipment manufacturers, and may invest up to 10% of its assets directly in commodities such as gold, silver, platinum and palladium in the form of bullion, coins, receipts, certificates or permitted gold certificates.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protection provided to investors in mutual funds under such laws are not available to investors in the units

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Adoption of new accounting standards – Section 3855 – Financial Instruments and Section 3862, Financial Instruments – Disclosure, Section 3863, Financial Instruments – Presentation

As at January 1, 2008, the funds applied the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosure and section 3863, Financial Instruments – Presentation. These sections replace section 3861, Financial Instruments – disclosure and presentation and enhance existing standards regarding financial instruments disclosure and presentation.

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, Financial Instrument - Recognition and Measurement, effective for financial statements relating to fiscal years beginning on or after October 1, 2006. This section establishes standards for the fair valuation of financial instruments, including the Fund's investments, and the accounting treatment for transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value was based on

a) Adoption of new accounting standards – Section 3855, Financial instruments (continued.)

the last traded price for the day, when available. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Prior to this new standard, these costs were added to the cost of the securities purchased or deducted from the proceeds of sale. Section 3855 has been applied retrospectively without restatement of prior years effective January 1, 2007. The cost of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs. Accordingly, the opening net assets in the Statement of Changes in Net Assets for the year ended December 31, 2007 have been adjusted to reflect these changes in valuation.

National Instrument 81-106 ("NI 81-106"), Section 14.2 issued by the Canadian Securities Administrators ("CSA") in 2005, requires the daily net asset value ("NAV") of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). The CSA had granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of NAV (other than for financial reporting purposes) until September 30, 2008. This temporary relief was to permit review of the suitability of these financial reporting requirements for the purposes other than the financial statements, such as the purchase and redemption price of units in an investment fund. The CSA has completed this review and has proposed amendments to NI 81-106 that will permit funds to have two different net asset values: one for financial statements, which will be prepared in accordance with Canadian GAAP (referred to as "net assets"); and another for all the other purposes including unit pricing (referred to as "net asset value"). These financial statements have been prepared on a basis consistent with the proposed amendments including a reconciliation between net assets and net asset value (see note 9).

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 change in the unrealized appreciation (depreciation) of the value of investments. Securities for which reliable quotations are not readily available are valued at fair value, as determined in good faith and pursuant to procedures established by the Manager.

ii) Any investment for which a market quotation is not readily available ("private companies") shall be valued at cost, in the absence of any subsequent financing, or shall be valued at its fair value as determined by the Manager.

iii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) and (ii) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for investments.

iv) Short-term investments are valued at amortized cost, which approximates fair value.

v) 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 dividends paid or interest which are due to the lender of the security.

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

c) Transaction costs

In accordance with Section 3855, portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement 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 securities cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchase or proceeds from sale of investments. The impact on the net assets of the investment fund is the same regardless of which accounting method is utilized.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

e) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Gains and losses from such transactions are calculated using the average cost of the securities on disposition. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex dividend date.

f) Income taxes

The Fund presently qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income received is subject to foreign withholding taxes.

g) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

h) Net assets per unit

The net assets per unit is calculated by dividing the net assets by the total number of units outstanding at the end of the period.

i) Organization costs

Organization costs related to the initial issue of units, such as the agent's fees and promotion costs have been charged against unitholders' equity, since they are considered to be capital transactions.

j) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

k) Future Accounting Changes

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises..

The Manager is currently evaluating the impacts of this change and developing its plan for the Fund. The manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional notes disclosures in the financial statements of the fund. The Manager will develop a plan prior to the 2008 year end and will disclose this plan in the 2008 annual financial statements.

3. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of Units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains.

Subject to the Fund's right to suspend redemptions, units held by a Unitholder for a minimum period of six months may be surrendered not less than 30 days prior to the last business day of each month for redemption. Units so surrendered for redemption by the Unitholder to the Manager will be redeemed for a price equal to the Net Asset Value per Unit as at the close of business on the redemption date.

The following unit transactions took place during the period:

	2008	2007
Balance, beginning of period	3,080,138	3,079,697
Issued	28,118	153,170
Redeemed	(247,712)	(207,624)
Balance, end of period	2,860,544	3,025,243

4. MANAGEMENT AND PERFORMANCE FEES

The Fund Manager provides investment and management services to the Fund. The Fund pays the Manager a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated based on the weekly Net Asset Value of the Fund, payable within ten business days after end of each month.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. These expenses may include management fees, performance fees, legal, audit, trustee, registrar and transfer agency, advertising costs, interest, operating and administrative costs, unitholder servicing costs, and costs of financial and other reports that are used in complying with the laws, regulations and policies regulating the issue or sale of units.

The Fund pays the Manager a performance fee per unit equal to 20% of the amount by which the aggregate of:

(a) Net Asset Value per unit at the end of such fiscal year (without regard to any accrual of the Performance Bonus), and

(b) Any per unit distribution declared during such year;

exceeds the Net Asset Value per unit at the beginning of such fiscal year.

5. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2008 was $126,006 (2007 - $245,533).

6. RELATED PARTY TRANSACTIONS

Management fees of $813,540 (2007 - $845,958) were paid to the Manager during the period (see note 4). No performance fees (2007 - $4,712,291) were paid to the Manager during the period (see note 4). Included in accounts payable and accrued liabilities is $143,301 (2007 - $156,224) in management fees payable to the Manager. Included in performance fees payable is Nil (2007 - $4,712,291) in performance fees payable to the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non affiliated, qualified brokerage firms, on an execution only basis. During the period ended June 30, 2008 Tuscarora Capital Inc, a company under common control to the Manager, received $25,754 (2007 - $24,954) in commissions on portfolio transactions for the Fund.

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

7. DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Income Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

8. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's wilful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement which have not been delegated to the Fund's investment advisor.

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

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required for financial reporting periods commencing December 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 sale prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2), rather than the use of valuation techniques in general practice in the investment funds industry.

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

Net Asset Value			Net Asset Value per share		
Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA	Section 3855 Adjustment
77,613,820	(1,214,471)	76,399,349	27.13	26.71	(0.42)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

Liquidity risk

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

Liquidity risk (continued)

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions. The following table details the Fund's liquidity analysis for the financial liabilities.

					2008
	Less than one month	1-3 months	3-12 months	Greater than one year	Total
	$	$	$	$	$
Obligations from portfolio assets sold short, at fair value	813,545	-	-	-	813,545
Bank indebtedness	5,438,549	-	-	-	5,438,549
Accounts payable and accrued liabilities	-	264,431	-	-	264,431
Due to broker	477,900	-	-	-	477,900
Accounts payable relating to units redeemed	508,420	-	-	-	508,420
	7,238,414	264,431	-	-	7,502,845
Net assets representing unitholders' equity	76,399,349				76,399,349

Price risk

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

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

Price sensitivity

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

At June 30, 2008, if the fair value had been 5% higher with all other variables held constant, the increase in net assets representing unitholders' equity for the period would have been $4,145,287 higher, arising due to the increase in the fair value of financial assets at fair value by $4,185,964 offset by the increase in the fair value of the financial liabilities at fair value by $40,677.

If fair value had been 5% lower with all other variables held constant, the decrease in net assets representing unitholders' equity for the period would have been $4,145,287 lower, arising mainly due to the decrease in the fair value of financial assets at fair value by $4,185,964 offset by the decrease in the fair value of the financial liabilities at fair value by $40,677.

Currency risk

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

The table below summarizes the Fund's exposure to currency risk due to concentration of assets in foreign currencies.

Currency	Financial Instruments	Cash	Total	Percentage of NAV
Sterling Pounds	(813,545)	-	(813,545)	-1.06%
United States Dollars	2,188,696	-	2,188,696	2.86%
Total	1,375,151	-	1,375,151	1.80%

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 June 30, 2008, there were 2.5% of investments owned which are held in bonds. There were no investments in short-term investments of the investments owned. The remaining portion of the Fund's assets is substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Capital management

Management considers the Fund's capital to consist of the net assets representing unitholders' equity.

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

The Fund does not have any externally imposed capital requirements.

11. EXEMPTION FROM REGULATORY FILING REQUIREMENTS

Section 2.11 of National Instrument 81-106 Investment Fund Continuous Disclosure permits Investment Funds that are not reporting issuers to take advantage of an exemption to the requirements to file annual and interim financial statements with the relevant regulatory authorities. Since the Fund is not a reporting issuer, it is relying on this exemption and will not file its financial statements.

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