

Financial Statements

Front Street Performance Fund II

September 30, 2005 (unaudited)

FRONT STREET PERFORMANCE FUND II

Statements of Net Assets

As at September 30, 2005 (Unaudited) and December 31, 2004 (Audited)

	September 30, 2005 (Unaudited)	December 31, 2004 (Audited)
ASSETS		
CURRENT		
Marketable securities owned, at market (cost \$97,270,728; 2004 - \$91,651,172)	\$ 102,004,362	\$ 96,712,004
Cash	16,670,114	7,012,500
Due from broker	6,463,166	3,832,559
Accounts receivable	107,767	93,265
	\$ 125,245,409	\$ 107,650,328
LIABILITIES		
CURRENT		
Due to broker	\$ 7,822,529	\$ 1,706,286
Marketable securities sold short, at market (cost \$6,150,926; 2004 - \$4,298,536)	6,213,850	4,552,576
Management fee payable (Note 4(a))	103,551	49,402
Performance bonus payable (Note 4(b))	2,254,585	1,140,544
Accounts payable and accrued liabilities	290,261	501,500
	\$ 16,684,776	\$ 7,950,308
NET ASSETS, representing unitholder's equity	\$ 108,560,633	\$ 99,700,020
Number of Units Outstanding (Note 3)	10,012,047	10,012,047
Net Asset Value Per Unit	\$ 10.84	\$ 9.96

Approved on behalf of the Fund, _____ Manager
Front Street Capital

FRONT STREET PERFORMANCE FUND II

Statement of Operations

For the nine month period ended September 30, 2005 (Unaudited)

INVESTMENT INCOME		
Dividends, net of dividends paid on investments sold short	\$	202,131
Interest income, net of interest expenses		371,954
		<u>574,085</u>
EXPENSES		
Management fees (Note 4(a))		991,108
Performance bonus (Note 4(b))		2,254,585
Operating costs		745,426
Professional fees		91,329
		<u>4,082,448</u>
NET INVESTMENT LOSS		<u>(3,508,363)</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS		
Proceeds from sales (net of securities repurchased)		216,758,690
Cost of securities sold (net of securities repurchased):		
Securities at cost, beginning of period		87,352,636
Purchases (net of short sales)		208,008,025
		<u>295,360,661</u>
Securities at cost, end of period		91,119,802
Cost of securities sold (net of securities repurchased)		<u>204,240,859</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS		12,517,831
FOREIGN EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS		(12,773)
NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS		<u>(136,082)</u>
NET GAIN ON INVESTMENTS		<u>12,368,976</u>
NET INCREASE IN ASSETS FROM INVESTMENT OPERATIONS	\$	<u>8,860,613</u>
EARNINGS PER UNIT	\$	<u>0.88</u>

FRONT STREET PERFORMANCE FUND II

Statement of Changes in Net Assets

For the nine month period ended September 30, 2005 (Unaudited)

INCREASE IN NET ASSETS FROM OPERATIONS	\$	8,860,613
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CAPITAL TRANSACTIONS		
Sale of units		—
Units redeemed		—
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NET ASSETS, BEGINNING OF THE PERIOD	\$	99,700,020
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NET ASSETS, END OF THE PERIOD	\$	108,560,633
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FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
LONG POSITIONS				
Canadian Equities				
Energy				
Accrete Energy Inc.	80,392	\$ 627,886	\$ 819,998	
Accrete Energy Inc. Restricted	54,600	395,850	545,782	
Alberta Clipper Energy Inc.	80,009	351,439	380,043	
Anderson Energy Limited	30,000	195,000	241,500	
Arawak Energy Corporation	800,098	1,304,630	1,280,157	
Ausam Energy Corporation	935,500	701,625	888,725	
Ausam Energy Corporation Warrants	500,000	-	1	
Bonavista Energy Trust	13,000	422,890	483,600	
Bonnett's Energy Services Trust	50,000	500,000	725,000	
C&C Energy Canada	172,500	172,500	172,500	
Calvalley Petroleum Inc. 'A'	297,244	991,067	1,174,114	
Canadian Natural Resources Limited	11,978	654,793	628,845	
Caribou Resources Corporation	130,451	270,818	326,128	
Caribou Resources Corporation Restricted	130,000	318,500	305,500	
Caribou Resources Corporation Warrants	65,000	-	-	
CHC Helicopter Corporation 'A'	66,040	1,642,346	1,650,999	
Clear Energy Inc.	71,734	403,047	400,993	
Cordero Energy Inc.	185,198	1,088,395	1,157,488	
Daylight Energy Trust	13,000	159,331	165,750	
Duvernay Oil Corporation	78	3,267	3,303	
Enerplus Resources Fund	16,146	811,408	886,577	
Ensign Energy Services Inc.	1,508	56,980	59,747	
Galleon Energy Inc. 'A'	21,372	214,533	489,419	
Garneau Inc.	137,875	150,631	171,654	
Interex Oilfield Services Limited Special Warrants	126,500	82,225	82,225	
International Sovereign Energy Corporation	50,000	156,000	210,000	
Kereco Energy Limited	126,686	1,672,841	2,077,650	
Kick Energy Limited	27,912	226,573	225,250	
Leader Energy Services Limited Restricted	35,100	107,055	147,813	
Loon Energy Inc.	46,000	45,572	39,100	
Mahalo Energy Limited	96,564	464,867	545,587	
Major Drilling Group International Inc.	65,000	1,074,450	1,101,750	
Midnight Oil Exploration Limited	141,678	484,456	623,383	
Mission Oil & Gas Inc.	152,412	1,306,864	1,440,293	
Mission Oil & Gas Inc. Restricted	71,500	586,300	648,648	
NEMI Northern Energy & Mining Inc. Warrants	175,000	-	-	
Pacific Stratus Energy Limited	2,000,000	500,000	820,000	
Pacific Stratus Energy Limited Restricted	208,000	52,000	81,869	
Pacific Stratus Energy Limited Warrants	104,000	-	11,440	
Pan-Ocean Energy Corporation Limited	64,329	1,800,661	1,897,705	
Peregrine Energy Limited	306,592	750,461	766,480	
Petro-Canada	35,984	1,798,346	1,750,981	
Precision Drilling Corporation	25,974	1,325,809	1,485,973	
Rider Resources Limited	5,015	66,695	103,359	
Rock Energy Inc.	264,358	1,297,306	1,562,356	

FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Energy cont'd				
Run of River Power Inc. Restricted	143,000	\$ 85,800	\$ 85,800	
Run of River Power Inc. Warrants	71,500	-	-	
Savanna Energy Services Corporation	18,438	368,824	506,492	
Saxon Energy Services Inc.	251,500	986,888	1,365,645	
Saxon Energy Services Inc. Warrants	62,500	-	84,000	
ShawCor Limited	121,969	1,439,870	2,105,185	
Silverwing Energy Inc. Restricted	66,500	149,625	149,625	
Silverwing Energy Inc. Warrants	66,500	-	-	
Standard Energy Inc.	44,400	66,600	66,600	
Storm Exploration Inc.	246,740	1,014,519	1,554,462	
TAG Oil Limited	13,000	17,550	18,720	
Talisman Energy Inc.	4,550	258,353	258,804	
Tanganyika Oil Compnay Limited Restricted	25,000	190,000	246,000	
Tusk Energy Corporation	238,706	1,051,516	1,155,337	
Urasia Energy Limited	221,000	331,500	331,500	
Valkyries Petroleum Corporation Restricted	97,500	585,000	651,632	
West Energy Limited	189,098	1,149,664	1,552,495	
Western Canadian Coal Corporation	171,374	812,876	839,733	
Western Canadian Coal Corporation Warrants	45,625	-	17,338	
		33,744,002	39,569,053	36.4
Materials				
Adobe Ventures Inc.	617,154	219,090	561,610	
Agnico-Eagle Mines Limited	94,276	1,612,857	1,624,375	
Alcan Inc.	24,388	1,017,053	898,698	
Amerigo Resources Limited	225,735	393,586	395,036	
Aur Resources Inc.	13,000	108,940	114,660	
Cameco Corporation	380	23,248	23,568	
Canexus Income Fund	19,500	195,000	187,200	
Canico Resource Corporation	54,782	813,463	1,090,710	
Crystallex International Corporation	12,690	37,309	23,223	
Desert Sun Mining Corporation	58,046	102,459	121,897	
Desert Sun Mining Corporation Warrants	4,711	6,408	3,156	
Diamonds North Resources Limited	476,164	377,068	385,693	
Diamonds North Resources Limited Restricted	300,000	225,000	233,280	
Diamonds North Resources Limited Warrants	300,000	-	-	
Enerchem International Inc.	100,966	253,425	285,229	
Eurozinc Mining Corporation	353,000	261,678	317,700	
Formation Capital Corporation	240,000	96,000	67,200	
Formation Capital Corporation Warrants	120,000	-	-	
Gabriel Resources Limited	244,360	587,522	566,915	
Glamis Gold Limited	18,954	423,934	483,327	
Global Alumina Corporation	458,600	1,196,197	756,256	
Goldcorp Inc.	24,992	557,725	582,314	
Greystar Resources Limited	6,500	36,920	52,000	
Guyana Goldfields Inc.	207,682	586,496	654,198	

FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Materials cont'd				
Hedman Resources Limited	1,452,856	\$ 104,750	\$ 217,928	
Hedman Resources Limited Warrants	892,856	-	44,643	
HudBay Minerals Inc.	317,599	859,237	1,063,957	
HudBay Minerals Inc. Warrants	1,850,000	27,750	74,000	
IAMGOLD Corporation	149,040	1,329,101	1,271,311	
Inco Limited	7,600	399,035	417,924	
Inmet Mining Corporation	84,552	1,537,853	1,762,909	
Kensington Resources Limited	115,000	241,500	486,450	
Kensington Resources Limited Warrants	57,500	-	120,750	
Kinross Gold Corporation	65,000	577,405	580,450	
Linear Gold Corporation	25,050	127,828	120,741	
LionOre Mining International Limited	205,319	1,295,611	1,160,052	
Metalex Ventures Limited	265,845	263,921	186,092	
Metallica Resources Inc.	684,792	1,084,272	1,232,626	
Methanex Corporation	21,500	404,155	370,230	
Nevsun Resources Limited	313,490	861,920	771,185	
Nevsun Resources Limited Warrants	6,500	-	-	
New Gold Inc.	100,514	509,296	593,033	
Nordic Diamonds Limited	261,625	42,122	52,325	
NOVA Chemicals Corporation	70,290	2,901,742	3,004,898	
Opta Minerals Inc.	85,100	328,440	263,810	
Opta Minerals Inc. Warrants	37,950	12,144	9,677	
Placer Dome Inc.	6,500	127,837	129,285	
Quadra Mining Limited	226,798	1,390,982	1,224,709	
Rio Narcea Gold Mines Limited	143,000	242,497	231,660	
Sherritt International Corporation	91,104	932,848	997,589	
Shore Gold Inc.	100,194	474,559	671,300	
Solomon Resources Limited	65,000	21,755	21,125	
Southern Cross Resources Inc.	325,910	251,838	446,497	
Southern Cross Resources Inc. Restricted	130,000	123,500	167,414	
Southwestern Resources Corporation	116,466	1,140,933	1,238,034	
TNR Resources Limited	131,300	26,391	30,856	
United Reef Limited Restricted	346,710	52,007	33,284	
United Reef Limited Warrants	173,355	-	-	
Vaaldiam Resources Limited Restricted	130,000	78,000	95,550	
Vaaldiam Resources Limited Warrants	65,000	-	-	
Western Prospector Group Limited	111,694	524,179	636,656	
Wolfden Resources Inc.	207,545	657,779	466,976	
		28,084,565	29,624,171	27.3
Industrials				
Canadian National Railway Company	14,352	1,129,913	1,184,040	
Ceramic Protection Corporation	131,906	2,641,035	2,374,308	
Divcom Lighting Inc.	85,000	29,835	29,325	
Icefloe Technologies Inc.	183,333	137,500	68,292	
Icefloe Technologies Inc. Warrants	183,333	-	-	

FRONT STREET PERFORMANCE FUND II

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September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Industrials cont'd				
Intermap Technologies Corporation	76,850	\$ 324,597	\$ 438,045	
Rand A Technology Corporation	75,000	147,000	180,000	
Westjet Airlines Limited	125,554	1,716,304	1,455,171	
		6,126,184	5,729,181	5.3
Consumer Discretionary				
ACE Security Laminates Corporation	307,692	200,000	46,154	
ACE Security Laminates Corporation Warrants	153,846	-	-	
Dimethaid Research Inc. Warrants	416,750	-	-	
Great Canadian Gaming Corporation	32,500	581,425	576,875	
Kidsfutures Inc. Class C Preferred Shares Series 2	104,000	104,000	104,000	
Kidsfutures Inc. Warrants	104,000	-	-	
Las Vegas From Home.com Entertainment Inc.	397,440	230,953	153,014	
Las Vegas From Home.com Entertainment Inc. Warrants	115,000	-	-	
Lucid Entertainment Inc. Warrants	681,334	-	1	
Mega Bloks Inc. Restricted	60,000	1,335,000	1,390,464	
Parkbridge Lifestyles Communities Inc.	100,000	330,000	520,000	
RepeatSeat Limited	162,500	130,000	97,500	
RepeatSeat Limited Warrants	81,250	-	406	
Westshore Terminals Income Fund	52,000	559,967	712,400	
		3,471,345	3,600,814	3.3
Health Care				
Adaltis Inc.	114,975	627,963	382,867	
Aeterna Zentaris Inc.	314,685	2,184,224	1,762,236	
Automated Benefits Corporation	115,000	58,650	57,500	
Automated Benefits Corporation Warrants	57,500	-	-	
CryoCath Technologies Inc.	128,752	789,203	656,635	
MDS Inc.	57,096	1,084,681	1,192,164	
MediSystem Technologies Inc.	80,500	229,425	209,300	
ORTHOsoft Inc.	1,000,000	1,000,000	415,000	
ORTHOsoft Inc. Warrants	500,000	-	1	
Spectral Diagnostics Inc.	39,000	52,650	32,370	
Spectral Diagnostics Inc. Warrants	111,100	-	-	
Stem Cell Therapeutics Corporation	917,500	236,201	321,125	
Transition Therapeutics Inc.	616,850	672,276	468,806	
TSO3 Inc. Restricted	130,000	260,000	323,232	
TSO3 Inc. Warrants	65,000	-	5,850	
Vigil Health Solutions Inc.	388,000	83,470	36,860	
Warnex Inc.	636,125	725,290	655,209	
		8,004,033	6,519,155	6.0
Financials				
AGF Management Limited 'B'	13,000	264,685	254,930	
Bank of Nova Scotia	2,600	108,670	112,866	

FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Financials cont'd				
Canadian Imperial Bank of Commerce	33,150	\$ 2,424,428	\$ 2,406,690	
Dundee Wealth Management Inc.	76,284	761,040	739,955	
iseemedia Inc.	532,000	452,200	207,480	
iseemedia Inc. Warrants	266,000	-	-	
Killam Properties Inc.	65,000	173,550	175,500	
Pacific Stratus Ventures Limited Warrants	1,000,000	-	1	
Sun Life Financial Inc.	9,750	417,361	425,588	
The Toronto-Dominion Bank	10,868	617,435	622,954	
Tonbridge Power Inc.	286,000	66,495	105,820	
		5,285,864	5,051,784	4.7
Information Technology				
Aastra Technologies Limited	28,418	582,564	750,235	
Absolute Software Corporation	162,580	207,125	422,708	
Atlantis Systems Corporation	416,667	250,000	225,000	
Atlantis Systems Corporation Warrants	208,334	-	-	
Blue Tree Wireless Data Inc.	380,000	72,200	57,000	
Blue Tree Wireless Data Inc. Warrants	190,000	3,800	5,700	
Certicom Corporation	102,192	479,860	556,946	
Chartwell Technology Inc.	160,414	1,020,845	691,384	
Cognos Inc.	10,894	499,665	489,903	
ComnetiX Inc.	322,240	813,142	708,928	
ComnetiX Inc. Warrants	75,000	-	-	
CYBERplex Inc.	52,000	21,580	19,760	
DEQ Systems Corporation Restricted	305,760	259,896	281,666	
DEQ Systems Corporation Warrants	152,880	-	-	
Divestco Inc.	18,166	47,834	54,316	
Divestco Inc. Restricted	78,000	156,000	219,227	
Divestco Inc. Warrants	39,000	-	19,110	
Grey Island Systems International Inc.	1,032,420	226,532	190,998	
Grey Island Systems International Inc. Warrants	153,410	-	-	
Matrikon Inc.	30,000	129,600	145,500	
Mint Technology Corporation	833,333	500,000	333,333	
Mint Technology Corporation Restricted	400,000	160,000	172,000	
Mint Technology Corporation Warrants	616,667	-	-	
Mosaid Technologies Inc.	78,130	1,781,968	1,727,454	
Nuvo Network Management Inc.	294,166	300,050	135,316	
Nuvo Network Management Inc. Warrants	882,500	-	1	
Parlay Entertainment Inc.	92,820	128,008	120,666	
Red Media Corporation Restricted	277,776	124,999	124,999	
Red Media Corporation Warrants	138,888	-	-	
SIRIT Inc.	112,500	146,892	46,125	
		7,912,560	7,498,275	6.9
Telecommunication Services				
CSI Wireless Inc.	39,468	131,710	63,149	

FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Telecommunication Services cont'd				
Cygnal Technologies Corporation	234,422	\$ 289,943	\$ 271,930	
Exfo Electro Optical Engineering Inc.	1,526	7,974	8,851	
IROC Systems Corporation	18,122	44,380	57,990	
Wireless Matrix Corporation	380,100	205,088	220,458	
		679,095	622,378	0.6
Total Canadian Equities - Long		93,307,648	98,214,811	90.5
Global Equities				
United States				
AssistMed Restricted	456,674	239,958	226,454	
AssistMed Warrants	228,337	-	-	
International Royalty Corporation	248,594	1,188,624	1,106,243	
		1,428,582	1,332,697	1.2
United Kingdom				
Fun Technologies PLC	150,382	591,189	812,063	
PetroWorld Corporation Restricted	203,125	160,469	214,356	
PetroWorld Corporation Warrants	101,562	-	-	
		751,658	1,026,419	0.9
Total Global Equities - Long		2,180,240	2,359,116	2.1
Bonds				
ACE Security Laminates Corporation 8% November 3, 2007	\$ 180,000	180,000	180,000	
Blue Tree Wireless Data Inc. 10% Convertible November 19, 2009	76	76,000	76,000	
Crystallex International Corporation 9.375% December 30, 2011	352,000	343,755	359,726	
Dynex Semiconductor Inc. 12% Promissory Note March 31, 2006	250,000	250,000	250,000	
Lucid Entertainment Inc. 11% December 1, 2009	886,000	886,000	519,418	
NGTV 10% Promissory Note July 15, 2007	39,000	47,085	45,291	
		1,782,840	1,430,435	1.3
Total Bonds		1,782,840	1,430,435	1.3
Total Long Positions		97,270,728	102,004,362	93.9
SHORT POSITIONS				
Canadian Equities				
Energy				
EnCana Corporation	(1,560)	(104,754)	(105,846)	
Husky Energy Inc.	(17,082)	(1,102,671)	(1,102,985)	
Imperial Oil Limited	(9,828)	(1,243,449)	(1,317,050)	
Opti Canada Inc.	(20,596)	(791,543)	(813,542)	
Suncor Energy Inc.	(6,500)	(462,865)	(457,730)	
		(3,705,282)	(3,797,153)	(3.5)

FRONT STREET PERFORMANCE FUND II

Statement of Investments

September 30, 2005 (Unaudited)

	Number of Shares/ Par Value	Average Cost	Market Value	% of Total Net Asset Value
Materials				
Aber Diamond Corporation	(1,300)	\$ (53,292)	\$ (55,250)	
Agrium Inc.	(13,000)	(333,860)	(332,540)	
Eldorado Gold Corporation	(3,744)	(15,313)	(15,388)	
		(402,465)	(403,178)	(0.4)
Consumer Discretionary				
Canadian Tire Corporation 'A'	(5,304)	(325,127)	(333,569)	
Mega Bloks Inc.	(30,000)	(759,600)	(724,200)	
		(1,084,727)	(1,057,769)	(1.0)
Consumer Staples				
Alimentation Couche-Tard Inc. 'B'	(13,000)	(256,380)	(267,800)	(0.2)
Health Care				
Axcan Pharma Inc.	(6,500)	(124,217)	(97,175)	
Cardiome Pharma Corporation	(1,300)	(9,586)	(13,312)	
		(133,803)	(110,487)	(0.1)
Financials				
National Bank of Canada	(9,594)	(568,269)	(577,463)	(0.5)
Total Canadian Equities - Short		(6,150,926)	(6,213,850)	(5.7)
Total Short Positions		(6,150,926)	(6,213,850)	(5.7)
TOTAL INVESTMENT PORTFOLIO		91,119,802	95,790,512	88.2
Other Assets Net of Liabilities		12,770,121	12,770,121	11.8
TOTAL NET ASSETS		\$ 103,889,923	\$ 108,560,633	100.0

FRONT STREET PERFORMANCE FUND II

Notes to Financial Statements

September 30, 2005 (Unaudited)

1. ESTABLISHMENT OF THE FUND

Front Street Performance Fund II (the "Fund") is an investment trust created under the laws of the Province of Ontario pursuant to a trust agreement dated October 15, 2004 (the "Trust Agreement"). HSBC Trust Company (Canada), a trust company incorporated under the laws of Canada, which is authorized under the laws of the Province of Ontario to carry on the business of a trust company, is the trustee of the Fund (the "Trustee"). Front Street Capital 2004, is the manager of the fund (the "Manager") pursuant to the Trust Agreement. The Manager is a partnership that was established under the laws of Ontario dated September 29, 2004.

The Fund's investment objective is to provide holders of Units ("Unitholders") with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund's portfolio (the "Portfolio") will include securities which the Fund's investment advisor believes are undervalued and may include short positions in securities which the investment advisor believes are overvalued.

The investment advisor will manage the relative weightings of the Fund's long and short positions to achieve the Fund's investment objective. The Fund will also engage in pairs trading, special warrant arbitrage, merger arbitrage, convertible arbitrage and trading in securities of issuers that may be involved in restructurings or business unit dispositions. The Portfolio will consist primarily of investments, which generate capital gains, but will also include investments, which generate income.

The Fund is not a "mutual fund" that is a reporting issuer or equivalent for securities law purposes. As a result, the protections provided to investors in mutual funds that are reporting issuers or equivalent under such laws are not available to investors in the Units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation:*

The financial statements include the financial position and results of operations of the Fund; however, they do not include all the assets, liabilities, revenue and expenses of the individual unitholders.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the valuation principles as set forth in the Trust Agreement. The Canadian Institute of Chartered Accountants (CICA) issued Section 1100, "Generally Accepted Accounting Principles" (GAAP) of the CICA Handbook-Accounting, which establishes standards for financial reporting. Section 1100 applies to all entities, with the exception of rate-regulated operations, for the fiscal years beginning on or after October 31, 2003.

As a result, certain disclosures previously considered GAAP by virtue of general use in the investment funds industry, are no longer considered GAAP. This Section primarily impacts the disclosure of an investment fund's financial statements, and accordingly, has no impact on the valuation of a fund or in the calculation of the net asset value of the fund.

The following is a summary of significant accounting policies followed by the Fund.

(b) *Marketable securities owned and sold short:*

Marketable securities owned and sold short are valued by the Manager in accordance with the Offering Memorandum as of the close of business on the relevant business day and valued based on external pricing sources to the extent possible. When available, closing and/or average prices will be obtained from broker-dealers and exchanges; however, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. In addition, prices may be adjusted to reflect bid-offer pricing spreads in which securities markets close at different times. Securities for which market quotations are available, but which are restricted as to saleability or transferability will be valued as provided above, less an appropriate discount based on the value and terms of the restrictions. Where market quotations are not available, the fair value will be determined by the Manager based on standard industry practice.

FRONT STREET PERFORMANCE FUND II

Notes to Financial Statements

September 30, 2005 (Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Investment transactions and income recognition:*

Investment transactions are accounted for on a trade date basis and gains and losses from such transactions are calculated based on average cost.

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

Net realized and unrealized gain (loss) on investments includes the related foreign exchange gains and losses.

(d) *Foreign currency translation:*

Foreign currency amounts are translated into Canadian dollars on the following basis:

- (i) market value of the marketable securities and other assets and liabilities, at the closing rates of exchange; and
- (ii) purchases and sales of marketable securities and income and expenses, at the rate of exchange prevailing on the respective dates of such transactions.

(e) *Use of estimates:*

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(f) *Fair value of financial instruments:*

Financial assets and liabilities other than marketable securities owned and sold short (see Note 2(b)) are valued at cost. These balances are short term in nature and, therefore, their carrying values approximate fair values.

(g) *Taxation:*

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, including realized taxable capital gains, less allowable capital losses, to the extent such net income for tax purposes has not been paid or made payable to the Unitholders in the year.

(h) *Earnings per unit:*

Earnings per unit amounts are determined by dividing the net increase in net assets from operations by the weighted average number of units outstanding during the reporting period.

3. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of Units of transferable 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 may be surrendered during the last five business days of November and the first ten business days of December in any year after 2004 for redemption on the last business day of December in such year. Units so surrendered for redemption by the registered holder of the Units to CIBC Mellon Trust Company, the Fund's registrar and transfer agent, will be redeemed on the applicable Redemption Date for a redemption price equal to the Net Asset Value per Unit determined as of the Redemption Date. The Unitholder will receive payment on or before the tenth business day following such Redemption Date.

FRONT STREET PERFORMANCE FUND II

Notes to Financial Statements

September 30, 2005 (Unaudited)

3. UNITS ISSUED AND OUTSTANDING (continued)

The following unit transactions took place during the period:

Balance , Beginning of period	10,012,047
Issued	-
Redeemed	-
<hr/>	
Balance , End of period	10,012,047

4. MANAGEMENT FEE AND PERFORMANCE BONUS

a) Management fee:

Management fee of 1.10% per annum based on the weekly Net Asset Value calculations are payable within five business days after the end of each month. Management fees are payable to the Manager.

b) Performance bonus:

The performance bonus is paid to the Manager based on the Fund's annual performance. The Fund will pay to the Manager in respect of each fiscal year of the Fund a performance bonus per unit equal to 20% of the amount by which the Adjusted Net Asset Value per Unit at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Unit previously achieved. The Adjusted Net Asset Value per Unit means the Net Asset Value per Unit at the end of a fiscal year (a) without giving effect to the accrual of any Performance Bonus, plus (b) the aggregate amount of all distributions previously declared on a per Unit basis, less (c) a cumulative amount, calculated on a per Unit basis, equal to the sum of (i) the Agents' fees and expenses of the offering "Start-up Costs" amortized on a straight line basis over the life of the Fund plus (ii) the otherwise unamortized agents' fees and expenses of any subsequent offering, amortized on a straight line basis over the remaining life of the Fund.

Notwithstanding the foregoing, no performance bonus will be payable with respect to any fiscal year of the Fund unless the Adjusted Net Asset Value per Unit at the end of such fiscal year exceeds: (a) the Net Asset Value per Unit at the end of the preceding year, plus the aggregate amount of all distributions previously declared on a per Unit basis, by a minimum of 6% and (b) an amount equal to the Net Asset Value per Unit at the date the Fund was launched based on gross proceeds of the offering less the Start-up Costs (the "Initial NAV"), increased by 6% per annum on a non-compounded basis from launch date to the end of such fiscal year. The amount of the Performance Bonus in respect of any fiscal year will be limited such that the Net Asset Value per Unit, after giving effect to the payment of such Performance Bonus, may not be less than (a) or (b), above.

c) Servicing fee:

The Manger will pay a servicing fee to dealers for each Unit held by clients of the dealer equal to the aggregate of 0.40% annually for the Net Asset Value per Unit (calculated and paid at the end of each calendar quarter).

d) Management expense ratio:

The management expense ratio ("MER") is based on the Fund's expenses, excluding brokerage commissions, expressed as a percentage of the Fund's average net asset value during the period. The MER of the Fund for 2004 was 7.53% on an annualized basis over a twelve-month period, even though the Fund was created October 15, 2004.

FRONT STREET PERFORMANCE FUND II

Notes to Financial Statements

September 30, 2005 (Unaudited)

5. EXPENSES

The Manager may pay out of the Trust Property all expenses relating to the operation of the Fund and the carrying on of its business. These expenses may include management fees, performance bonus, bookkeeping, legal, audit, trustee, registrar and transfer agency, custodial and safekeeping fees, taxes, brokerage commissions, 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.

6. INCOME TAXES

The Fund has accumulated non-capital losses in the amount of \$1,468,000 available as at December 31, 2004 for utilization against investment income in future years. The losses will expire in 2014. Organization costs are deductible over 5 years for tax purposes.

7. DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the 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. BROKERAGE COMMISSIONS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended September 30, 2005 was \$1,161,925

9. INDEMNIFICATION OF THE MANAGER

The Fund, in its investment advisor agreement, has indemnified the Manager, its principles and their respective affiliates from all claims that may arise from (i) mistakes of judgment or from action or inaction or from losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the Fund and (ii) losses due to mistakes of judgment or the action or omission of any broker or agent of the Manager, selected, engaged or retained by the Manager, the principals or their respective affiliates.