



frontierAlt Funds Management Limited

Management Report of Fund Performance

frontierAlt Resource Capital Class Fund

September 30, 2009

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Annual Management Report of Fund Performance frontierAlt Resource Capital Class Fund As at September 30, 2009

This Management Report of Fund Performance contains financial highlights but does not contain either interim or annual financial statements of the Fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling (416) 623-3173, by writing to us at frontierAlt Funds Management Limited, 350 Bay Street, Suite 1300, Toronto, Ontario, M5H 2S6 or by visiting our website at www.frontieralt.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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 achievement 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 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.

The Manager of the investment fund believes it has a reasonable basis for making the forecasts or projections included in this Interim Management Report of Fund Performance, however, 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, which 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.

Any forward-looking information presented in this Management Report of Fund Performance is solely the view of the Manager of the investment fund at September 30, 2009, and is subject to change at any time without notice as markets and events warrant. The Manager has no specific intention of updating any forward-looking information whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance, unless required by law.

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund's aim is to achieve long-term capital appreciation by investing primarily in the equity securities of Canadian resource issuers.

The Fund will initially invest in shares of resources issuers engaged in oil and gas or mining 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 Fund may also invest in corporate debt, government bonds (capital preservation) or small exposures to small capitalization companies (high growth) throughout the world, including Canada and the U.S.

Risk

Please see the simplified prospectus for a full discussion of the overall risk. The financial period saw no material changes affecting the overall level of risk.

Recent Developments

The frontier*Alt* Resource Capital Class Fund was established on June 7, 2007. The Fund comprises of the first Fund within frontier*Alt* Capital Class Limited, a mutual fund corporation.

On August 22, 2008, net assets of \$9.2 million from frontier*Alt* Energy 2006 Flow-Through Limited Partnership and the frontier*Alt* Energy 2006-II Flow-Through Limited Partnerships were transferred on a tax-deferred basis into the Fund.

On October 3, 2008, net assets of approximately \$200,000 were transferred from MAK 2006 Limited Partnership into the Fund. In addition, On November 26, 2008 assets totalling \$1.8 million from Trinity Wood 2006 Limited Partnership, Trinity Wood 2007-I and Trinity Wood 2007-II Limited Partnerships, were transferred on a tax-deferred basis into the Fund.

Each transfer of assets of a flow-through limited partnership to the Fund was reviewed and approved by the Fund's independent review committee.

Results from Operations

The Fund maintains a strategy of holding positions for recovery from very depressed levels. Therefore, portfolio divestitures are related to redemptions from time to time. The four Flow-Through Limited Partnerships that were rolled into the mutual fund this past year more than doubled its net assets. Following a roll over of a flow through limited partnership the Fund generally experiences a period of increased redemptions.

Substantial realized losses due to timing of the selling of the underlying securities to honour redemption requests, post-flow-through rollers contributed greatly to the decline in the net asset value (NAV); declined by approximately 50%. General bear market conditions were also the cause of the decline in the NAV.

In response to overall stock market recovery, stronger base metal prices and a very strong gold market, the share prices of junior resource exploration companies have begun to recover. This has resulted in a 41% appreciation in the net asset value of the Fund since the beginning of 2009.

Total net assets from operations increased substantially in 2009 from (\$9.33) to (\$1.17), mostly due to the recovery of the materials and energy sectors.

The Fund currently offers A-series units.

Portfolio Manager Commentary

The Portfolio Manager believes that renewed strength in the mining industry, mining equities and mineral exploration companies should result from strong incremental metal demand from India and China, as new major consumers, in addition to more moderate growth in demand in the traditional markets in North America, Europe and Japan. This is expected, by the Portfolio Manager, to result in metal demand once again outstripping metal supply.

This secular strength in demand for base metals has been apparent this year as the price for most metals has strengthened significantly at a time when world economies have been experiencing severe recession. Normally, base metal prices recover after the economy has recovered. For example, copper prices have increased about 100% from about \$US1.50 per pound to over \$US3.00 per pound. Precious metals have responded to difficult economic times and the decline of the U.S. dollar with strong price advances and gold is now trading at over \$US1,100 per ounce for the first time.

Oil prices have also rebounded to acceptable levels and the Portfolio Manager expects prices will move higher as world economies improve. Natural gas prices have remained

depressed due to reduced demand in the short term. The Portfolio Manager does not expect significant price recovery for natural gas prices in the near term.

The market for exploration companies, as demonstrated by the S&P/TSX Venture Index, declined 80% from its peak in May of 2007 to its trough in December of 2008. This year the Index has rebounded over 100% from the extremely low levels of last December. However, the Venture Index is still 57% below its previous peak. Therefore the Portfolio Manager believes that mineral exploration companies share prices continue to be very depressed and are not yet reflecting the secular improvement for the metals industry. Canada is home to over 50% of all publicly listed mineral exploration companies and the Portfolio Manager believes that this sector provides the potential for significant capital gains over the next year.

The Portfolio Manager's general strategy has been to hold positions in the Fund with the expectation that share prices will recover from depressed levels reflecting general market recovery and specific exploration activity. The largest holdings are concentrated in gold exploration companies, some at an advanced stage of development. Although the high price for gold has caused a rally in the share prices of gold producers, generally gold explorers have yet to experience the same degree of market strength.

The Portfolio Manager, subject to market conditions, expects to restructure the portfolio over time from more junior issuers to advanced exploration companies and producers. The focus in the short term will be on gold exploration companies.

New Accounting Policy or Adoption of New Accounting Standards

On January 1, 2008, the Fund adopted CICA Section 3862, Financial Instruments – Disclosures (“Section 3862”) and CICA Section 3863, Financial Instruments – Presentation (“Section 3863”), replacing Section 3861. Section 3862 required enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Funds manage those risks. Section 3863 carries forward unchanged the presentation requirements of 3861 with respect to the financial instruments. Financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

The Fund also adopted CICA Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed.

The Manager is on target to meet the deadline of January 1, 2011, for the changeover to International Financial Reporting Standards (“IFRS”). In addition, the Manager does not expect that net assets or net asset value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will be additional disclosures and possible changes to their overall presentation.

Related Party Transactions

The following arrangements result in fees paid by the Fund to frontier*Alt* Funds Management Limited or to companies affiliated with frontier*Alt* Funds Management Limited:

Management and Admin Services

In consideration for management services, the Fund paid \$96,437 (2%) per annum in management fees to frontier*Alt* Funds Management Limited. This management fee is based on the Net Asset Value of the Fund. It is accrued daily and paid at month-end as a percentage of the daily net assets.

The Fund paid \$63,000 to KeiData Back-office Solutions Inc. (“KeiData”) for administration services. KeiData is an affiliate of frontier*Alt* Funds Management Limited.

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 few years. The information is derived from the Fund's audited annual financial statements. The net asset per unit presented in the financial statements is equal to the net asset value calculated for fund pricing purposes. An explanation can be found in the notes to the financial statements.

Net Asset Value (NAV) per Share Series A	Sept 2009	Sept 2008	Sept. 2007
Net asset value, beginning of period	\$ 5.38	\$ 10.68	\$ 10.00
Increase (decrease) from operations:			
Total revenue	0.01	0.05	0.06
Total expenses	(0.30)	(0.74)	(0.18)
Realized gains (losses)	(3.45)	0.45	0.92
Unrealized gains (losses)	2.57	(9.09)	0.08
Total increase (decrease) from operations (1)	(1.17)	(9.33)	0.88
Distributions:			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
From capital gains	-	(0.13)	-
Return of capital	-	-	-
Total distributions (2)	0.00	(0.13)	0.00
Net asset value, end of period	\$ 4.30	\$ 5.38	\$ 10.68

(1) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data

For the periods ended	Sept 2009	Sept 2008	Sept 2007
Net assets Series A (000's) (1)	\$ 4,631	\$ 6,966	\$ 1,454
Number of shares outstanding	1,077,694	1,293,811	136,118
Management expense ratio (2)	7.93%	8.03%	7.75%
Management expense ratio before waivers or absorptions (2)	7.93%	8.47%	10.62%
Portfolio turnover rate (3)	89.89%	388.27%	137.76%
Trading expense ratio (4)	0.88%	1.50%	0.00%

(1) This information is provided as at period end of the year shown.

(2) Management expense ratio is based on total expenses for the stated period (including GST and interest, but excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets during the period

(3) 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.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

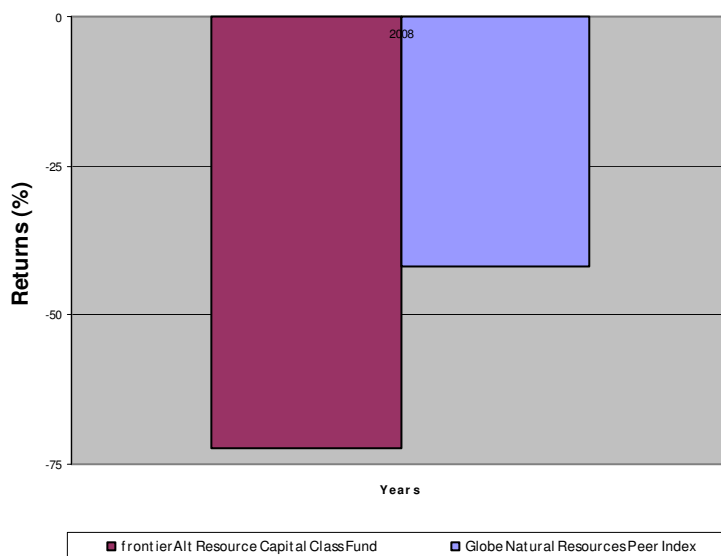
Past Performance

The following charts show the past performance of the Fund and do not necessarily indicate how the Fund will perform in the future. The performance information assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. Note that the performance does not take into account sales, redemption, distribution or the changes that would have reduced returns or performance.

Year by Year Returns:

The following chart shows the annual performance for the Fund for each year shown, indicating how the Fund's performance has varied from year to year. It shows, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each year.

Calendar Returns



Annual Compound Returns:

The following chart shows the annual compound total return for each period indicated (period ending September 30, 2009)

As at September 30, 2009	frontierAlt Resource Capital Class Fund (%)	Natural Resources Equity (%)
3-month	0.1	0.2
6-month	0.3	0.4
1 Year	(0.2)	0.0
YTD	0.5	0.5
2 Year	(0.2)	(0.1)
PSD	(0.3)	(0.1)

PSD: June 29, 2007

Summary of Investment Portfolio as at September 30, 2009:

Portfolio Allocation

Regional Allocation: Canada – 100%

Currency Allocation: Canada – 100%

<u>Sector Allocation</u>	<u>% of Net Assets</u>
Materials	88.0%
Energy	14.1%
Cash	-0.2%
Other assets less other liabilities	-1.9%
	<u>100.0%</u>

Top 25 Investments

<u>Issuer</u>	<u>% of Net Assets</u>
Tamerlane Ventures Inc.	19.7%
Rx Exploration Inc.	11.6%
Houston Lake Mining Inc.	6.9%
Romios Gold Resources Inc.	6.2%
Donner Metals Ltd.	6.1%
Module Resources Incorporated	5.8%
Red Pine Exploration Inc.	4.7%
Richview Resources Inc.	4.5%
Century Mining Corporation	4.2%
Seaview Energy Inc. Class A	4.2%
Latin American Minerals Inc.	4.0%
GGL Diamond Corp.	3.0%
Commander Resources Ltd.	3.0%
Wildcat Exploration Ltd.	2.4%
Tres-Or Resources Ltd.	2.2%
Bison Gold Exploration Inc.	1.7%
Everton Resources Inc.	1.7%
Temex Resources Corp.	1.6%
Carpathian Gold Inc.	1.6%
Greentree Gas & Oil Ltd.	1.3%
Nordic Oil and Gas Ltd.	1.1%
PanTerra Resource Corp.	1.0%
HY Lake Gold Inc.	0.9%
International Wayside Gold Mines Ltd.	0.9%
ProspEx Resources Ltd.	0.9%

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.