

Management Report of Fund Performance

frontierAlt Energy 2006-II Flow-Through Limited Partnership

This management report highlights the performance of the frontierAlt Energy 2006-II Flow-Through Limited Partnership (“the Partnership”) for the period ending June 30, 2007. The complete semi-annual financial statements of the Partnership, which provide further details, are attached.

Limited Partners may contact us toll free by calling 1-866-745-5545; by writing to us at frontierAlt Capital Corporation, 350 Bay Street, Suite 1300 Toronto, Ontario M5H 2S6 or by e-mailing us at info@frontieralt.com to request a copy of the Partnership’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure. Additional information is available on our website at www.frontieralt.com or SEDAR at www.sedar.com or by writing to us.

Investment objectives and strategies

The Partnership invests in flow-through shares of resource companies engaged in oil and/or gas exploration, development and/or production in Canada with a view to achieving capital appreciation and maximizing the tax benefit of an investment in the Partnership units. The Partnership has established a diversified portfolio of such investments with an emphasis on companies engaged in oil and gas exploration, development or production.

Risk

The Partnership invested all available funds in flow-through shares by December 31, 2006, as disclosed in the prospectus.

Results of operations

The Partnership began operations on October 27, 2006. From commencement of operations to June 30, 2007, the General Partner and Portfolio Manager evaluated possible investments and chose to invest in 21 energy companies at a total cost of \$6,226,036. The management fees were \$51,470. The Partnership also incurred and accrued audit fees of \$5,613 and incurred administrative expenses of \$9,641.

Interest expense for the period ending June 30, 2007 \$43,581.

Recent developments

Natural gas markets continue to confound all of the analysts as prices remain stubbornly low. Analysts are reading the tea leaves and seeing factors like higher than expected gas storage, currency ramifications and low drilling activity.

Put it all together and we contend: ***What gas storage giveth; production declines taketh away.*** The bottom line is that drilling activity is slow for natural gas projects with some being moth-balled to await price recovery. The effect is profound: In each month of 2007, declines in natural gas production are taking 390 mmcf/d out of the supply. That’s as if four, healthy, natural gas producers like Compton, Duvarney, Paramount and NuVista all closed their doors ***each month.*** The ramifications over the course of the year cannot be over-stated. A significant supply reduction is underway and as we’ve seen in the past, increasing activity and accelerating production additions of natural gas is not a matter of turning on the taps. Most major E&P spenders have re-routed capital aimed at natural gas to other areas, like major

oil sands projects or overseas. Even though they agree with the outlook for increased prices by year end, they are not planning to move capital back to natural gas projects.

What does this mean for the emerging and juniors with natural gas capability? It means more opportunity but a need for patience, as well. Stubbornly low prices and a healthy Canadian dollar are cutting cash flows. On the other side, reduced competition and cost savings of 40% and more in every category of expenditures are creating the opportunity for those who have a prospect inventory and a healthy bank relationship. Those are the players we're focused on and increasing our support. They have the opportunity for a good 2007 and an excellent 2008.

Signs of a late 2007 gas price recovery remain strong. Steve Laut, CNRL President and COO, commented last month: "that the industry will likely never drill as many gas wells again as in 2006."

Related party transactions

frontierA/t Energy 2006 Inc. ("the General Partner") is entitled to an annual management fee of 2% of the net assets of the Partnership, payable monthly in arrears. Management fees amounted to \$51,470 of which \$7,736 is included in accrued liabilities.

Included in the total issue costs of \$450,000, is an amount of \$205,503 paid to frontierA/t Investment Management Corporation, the owner of all the shares of the General Partner, as a reimbursement for costs incurred in creating and organizing the Partnership and marketing Partnership units.

As at June 30, 2007 frontierA/t owed the partnership \$179.

During the year, the Partnership incurred administrative and accounting fees amounting to \$9,641 was incurred by KeiData Back Office Solutions a wholly owned subsidiary of frontierA/t Investment Management Corporation. \$8,132 was included in accrued liabilities.

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 period ended June 30, 2007 and December 31, 2006. This information is derived from the Fund's unaudited interim financial statements and audited financial statements.

frontierAlt Energy 2006-II Flow-Through Limited Partnership

Net Asset Value (NAV) per Unit	Jun 2007	Dec 2006
Net asset value, beginning of period	\$ 16.86	\$ 25.00
Increase (decrease) from operations:		
Total revenue	0.01	0.01
Total expenses	(0.41)	(0.16)
Realized gains (losses)	(3.61)	0.00
Unrealized gains (losses)	(0.20)	(5.86)
Agents' fees	0.00	(1.95)
Issue costs	0.00	(1.44)
Total increase (decrease) from operations (1)	<u>(4.20)</u>	<u>(9.40)</u>
Distributions:		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	0.00	0.00
Return of capital	0.00	0.00
Total Annual Distributions	<u>0.00</u>	<u>0.00</u>
Net asset value, end of period	<u>\$ 12.66</u>	<u>\$ 16.86</u>

(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.

Ratios and Supplemental Data

	Jun 2007	Dec 2006
Net assets (000's) (1)	\$ 4,582	\$ 6,104
Number of units outstanding	362,044	362,044
Management expense ratios (excluding issue costs and agents' fees) (2)	5.91%	5.58%
Management expense ratios (including issue costs and agents' fees) (2)	5.91%	108.12%
Portfolio turnover rate (3)	78.6%	151.3%
Trading expense ratio (4)	0.58%	0.00%
Closing market price or pricing NAV (if applicable)	\$ 12.66	\$ 16.86

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

(2) Management expense ratio is based on total expenses for the stated period 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 no 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.

Management fees

The General Partner is entitled to an annual management fee of 2% of the net assets of the Partnership. This fee is paid monthly in arrears and is based on the net asset value at the end of the month for which it is charged.

Past performance

The Partnership was in operation only from October 27, 2006 to June 30, 2007; accordingly, it has no annual performance data.

Summary of Investment Portfolio

Asset Mix	Percentage of Fund
Cash	24.3%
Bank Loan	-17.8%
Other assets less other liabilities	-0.8%
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	5.6%
	<hr/>
Sector Allocation	
Energy	94.3%
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Net Assets	100.0%
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Top Investments

<u>Issuer</u>	Percentage of Fund
Petrobank Energy and Resources Ltd.	16.5%
Angle Energy Inc.	12.0%
Stylus Energy Inc.	10.1%
Defiant Resources Corporation	9.3%
PanTerra Resources Corporation	7.4%
Talisman Energy Inc.	6.7%
E4 Energy Inc.	4.4%
Contact Exploration Inc.	4.3%
Fair Sky Resources Inc.	3.5%
ExAlta Energy Inc.	3.4%
Saxony Petroleum Inc.	2.7%
Sabretooth Energy Ltd.	2.7%
Blue Parrot Energy Inc.	2.5%
Triton Energy Corporation	2.4%
Intrepid Energy Corporation	1.8%
The Buffalo Oil Corporation	1.5%
Liberty Exploration Inc.	1.4%
Bellamont Exploration Ltd. Class A	0.8%
Paramount Resources Ltd. Class A	0.4%
Bellamont Exploration Ltd. Class B	0.4%
MGM Energy Corporation	0.0%
One Exploration Inc. Class B	0.0%
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	94.3%
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This Summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at www.frontieralt.com. The weightings of the positions are calculated based on total net asset value of the portfolio as at June 30, 2007.