

Annual Management Report of Fund Performance As at October 31, 2010 Front Street Special Opportunities Canadian Fund

This Annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Front Street Special Opportunities Canadian Fund (the “Fund”), formerly Front Street Special Opportunities Canadian Fund Ltd., and now a class of shares of Front Street Mutual Funds Limited, a Front Street Capital corporate class mutual fund. You can get a copy of the annual or interim financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at www.frontstreetcapital.com or SEDAR at www.sedar.com

Security holders may also contact us using one of these methods to request a copy of the investment fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment 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 Objective and Strategies

The investment objective of the Fund is to seek capital appreciation through investment in equity securities of companies whose product, service or management team Front Street Capital believes can realize value and growth. The Investment Advisor, Front Street Investment Management Inc., may rely on “top down” fundamental research

to identify equity securities of companies in a particular industry or sector, but portfolio diversification will be driven primarily from the Fund's investments, as opposed to targeting sector weights.

The Investment Advisor will employ alternative investment strategies, including event-related special situations investing (including, for instance, investment in securities of issuers undergoing or undertaking tenders, mergers and acquisitions, liquidations, spin-offs and recapitalizations) and the purchase of undervalued shares in the equity markets.

From time to time the Fund may use clearing corporation options and listed warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.

Risk

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. The Fund may also invest in foreign securities that may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. 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 the risks of selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies.

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 a sharp recovery in commodity prices and early signs of a global recovery positively affected Canadian equity markets.

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.

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. Government measures to stimulate bank lending have been met with mixed success to date.

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 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

The fund had a strong year as commodities picked up with a recovering global economy, as well as demand from global infrastructure stimulus programs. M&A activity continued to be a strong driver of performance in the fund this year. Cash rich companies and sovereign funds are continuing to buy assets at compelling valuations. They realize that many of the supply bottlenecks from the past cycle remain intact, and are fearful of skyrocketing commodity prices in an improving global economy.

Although there was some volatility the price of oil averaged around \$77 per barrel. For the foreseeable future we expect the price to trade between \$70 to \$90 a barrel, an area where global supply and demand is fairly well balanced. Natural gas on the other hand was much weaker as large inventories, lowered production costs and weak

industrial demand conspired to keep prices down. The fund will continue to underweight natural gas producers to oil companies.

Base metal prices were quite firm this year on strong demand out of the world's emerging economies. The IMF raised their growth rate forecasts for India and China to 9.7% and 10.5% this year, with both countries being large consumers of metals. The fund benefited from its holdings in coal and iron ore, two key components in steel production.

Gold rose to an all time record in October trading over \$1400 per ounce. The announcement of further quantitative easing in the U.S., and its effect on the dollar, as well as continuing sovereign debt problems in Europe sent investors to the safe haven of gold. Increased gold demand has come from a number of sources with very little of it coming from jewelry. Central banks have been adding to their gold holdings recently in an effort to reduce US dollar holdings. As well, a number of producing companies have closed out their hedge books causing them to go into the markets to buy gold.

Recent Developments

Since the end of the year equity markets around the world experienced continued volatility in November 2010. Ireland was on the verge of bankruptcy and had to accept bailout funds from the IMF and the European Union. Fears were stoked that other European central banks may be on the verge of the same situation as Ireland. This uncertainty in Europe sent many investors to the perceived safety of the US dollar, leading to weakness in the prices of many commodities.

On November 24, 2009, the shareholders of the Fund approved the special resolutions to authorize the amalgamation of Front Street Mutual Funds Limited with Front Street Special Opportunities Canadian Fund, another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on December 1, 2009. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada). Upon amalgamation, Front Street Mutual Funds Limited was considered to be continuing Fund for securities regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, being the Front Street Special Opportunities Canadian Fund.

Ontario sales tax and GST harmonization

Effective July 1, 2010, Ontario provincial sales tax was harmonized with the federal goods and services tax ("GST"), resulting in a federally administered harmonized sales tax of 13% (the "HST"). Prior to that date, management fees and other service fees charged to the Fund were not subject to Ontario Retail Sales Tax ("ORST"). Under Ontario's harmonization with the GST, these services are now subject to an additional tax of 8%. In addition, other operating costs, such as administrative expenses, audit fees, legal fees, and clearing and settlement and back office fees are subject to an additional tax of 8%. However, investment funds in Canada are required to calculate the HST rate using specific rules. These rules require HST to be calculated using the residency of the shareholders and the current value of their interests, rather than the physical location of the Fund manager. These rules will allow the Fund to use a "blended rate" that will reduce the effect of harmonization, to the extent that the Fund has shareholders resident in provinces not subject to HST.

On December 23, 2010, Front Street Mutual Funds Limited ("FSMFL") and Front Street Resource Performance Fund Ltd. ("FSRPFL") issued a notice of special meeting of shareholders pertaining to the proposed amalgamation of Front Street Mutual Funds Limited and Front Street Resource Performance Fund Ltd. If the resolution is approved by the shareholders of the FSMFL and FSRPFL, the effective date of the amalgamation will be the close of business on February 28, 2011. The merger will be accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada). Upon amalgamation, FSMFL is considered to be the continuing fund for securities regulatory purposes. A new class of shares of FSMFL will be created, namely Series L of Front Street Resource Fund. Existing shareholders of FSRPFL will receive one share of Series L shares of Front Street Resource Fund class of shares of FSMFL.

International Financial Reporting Standards (“IFRS”)

Effective for its fiscal year commencing November 1, 2012, 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 of the implementation as new IFRS guidance become available from the International Accounting Standards Board.

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 does not expect the adoption of IFRS will have a material effect on the Fund’s net asset value per share for all series of shares. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund’s financial statements. In particular, the Fund will be required to present a statement of shareholders’ equity and 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 preliminary analysis, the Manager believes the changeover to IFRS will not materially affect the Fund’s existing business arrangements.

Related Party Transactions

Management fees of \$4,538,866 were paid to the Manager during the period. Servicing fees of \$2,520,197 were paid to the Manager during the period. Operating costs of \$105,715 were paid to the Manager during the period. Performance fees of \$17,694,279 were incurred with the Manager during the period. Included in accrued expenses is \$455,075 of management fees payable to the Manager. Included in accrued expenses are \$234,019 of accrued servicing fees payable to the Manager. Included in accrued expenses are \$7,986 of accrued operating costs payable to the Manager. Performance fees payable reflects performance fees of \$11,347,748 payable to the Manager.

39,536.12 of series F shares outstanding at period end representing 0.86% of the total series F shares of the Fund are held by the Partners of the Manager. 31,749.01 of series F shares outstanding at period end representing 0.69% of the total series F shares of the Fund are held by relatives of the Partners of the Manager.

1,826,888.31 of series Y shares outstanding at period end representing 9.56% of the total series Y shares of the Fund are held by the Partners of the Manager. 1,773,644.39 of series Y shares outstanding at period end representing 9.29% of the total series Y shares of the Fund are held by relatives of the Partners of 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 October 31, 2010, Tuscarora Capital Inc., a company under common control to the Manager, received \$44,119 in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs and performance fees 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. This information is derived from the Fund's audited annual financial statements.

Series A		October 31
The Fund's Net Assets per Unit ⁽¹⁾		2010
Net assets, beginning of the year		\$ —
Increase (decrease) from operations:		
Total revenue		0.01
Total expenses		(0.76)
Realized gains (losses) for the year		0.76
Unrealized gains (losses) for the year		2.83
Total increase (decrease) from operations ⁽²⁾		2.84
Distributions to Shareholders:		
From income (excluding dividends)		—
From dividends		—
From capital gains		—
Return of capital		—
Total distributions to Shareholders ⁽³⁾		—
Net assets, end of the year		\$ 9.91

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	45,430
Number of units outstanding ⁽¹⁾	4,585,825
Management expense ratio ⁽²⁾	10.03%
Management expense ratio before waivers or absorptions	10.03%
Trading expense ratio ⁽³⁾	0.37%
Portfolio turnover rate ⁽⁴⁾	61.06%
Net asset value per unit	\$ 9.91

- (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 transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series B

The Fund's Net Assets per Unit ⁽¹⁾

October 31
2010

Net assets, beginning of the year	\$	—
Increase (decrease) from operations:		
Total revenue		0.01
Total expenses		(0.76)
Realized gains (losses) for the year		0.77
Unrealized gains (losses) for the year		2.75
Total increase (decrease) from operations ⁽²⁾		2.77
Distributions to Shareholders:		
From income (excluding dividends)		—
From dividends		—
From capital gains		—
Return of capital		—
Total distributions to Shareholders ⁽³⁾		—
Net assets, end of the year	\$	9.90

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	79,411
Number of units outstanding ⁽¹⁾	8,023,393
Management expense ratio ⁽²⁾	9.94%
Management expense ratio before waivers or absorptions	9.94%
Trading expense ratio ⁽³⁾	0.37%
Portfolio turnover rate ⁽⁴⁾	61.06%
Net asset value per unit	\$ 9.90

- (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 transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series F		October 31
The Fund's Net Assets per Unit ⁽¹⁾		2010
Net assets, beginning of the year		\$ —
Increase (decrease) from operations:		
Total revenue		0.01
Total expenses		(0.56)
Realized gains (losses) for the year		0.70
Unrealized gains (losses) for the year		2.47
Total increase (decrease) from operations ⁽²⁾		2.62
Distributions to Shareholders:		
From income (excluding dividends)		—
From dividends		—
From capital gains		—
Return of capital		—
Total distributions to Shareholders ⁽³⁾		—
Net assets, end of the year		\$ 10.32

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	47,345
Number of units outstanding ⁽¹⁾	4,590,213
Management expense ratio ⁽²⁾	7.15%
Management expense ratio before waivers or absorptions	7.15%
Trading expense ratio ⁽³⁾	0.37%
Portfolio turnover rate ⁽⁴⁾	61.06%
Net asset value per unit	\$ 10.31

- (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 transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series X

The Fund's Net Assets per Unit ⁽¹⁾

**October 31
2010**

Net assets, beginning of the year	\$	—
Increase (decrease) from operations:		
Total revenue		0.01
Total expenses		(0.54)
Realized gains (losses) for the year		0.66
Unrealized gains (losses) for the year		2.29
Total increase (decrease) from operations ⁽²⁾		2.41
Distributions to Shareholders:		
From income (excluding dividends)		—
From dividends		—
From capital gains		—
Return of capital		—
Total distributions to Shareholders ⁽³⁾		—
Net assets, end of the year	\$	10.04

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	115,199
Number of units outstanding ⁽¹⁾	11,471,008
Management expense ratio ⁽²⁾	7.19%
Management expense ratio before waivers or absorptions	7.19%
Trading expense ratio ⁽³⁾	0.37%
Portfolio turnover rate ⁽⁴⁾	61.06%
Net asset value per unit	\$ 10.04

- (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 transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Series Y		October 31
The Fund's Net Assets per Unit ⁽¹⁾		2010
Net assets, beginning of the year		\$ —
Increase (decrease) from operations:		
Total revenue		0.01
Total expenses		(0.54)
Realized gains (losses) for the year		0.65
Unrealized gains (losses) for the year		2.30
Total increase (decrease) from operations ⁽²⁾		2.42
Distributions to Shareholders:		
From income (excluding dividends)		—
From dividends		—
From capital gains		—
Return of capital		—
Total distributions to Shareholders ⁽³⁾		—
Net assets, end of the year		\$ 10.07

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value 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 units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	192,339
Number of units outstanding ⁽¹⁾	19,100,381
Management expense ratio ⁽²⁾	7.23%
Management expense ratio before waivers or absorptions	7.23%
Trading expense ratio ⁽³⁾	0.37%
Portfolio turnover rate ⁽⁴⁾	61.06%
Net asset value per unit	\$ 10.07

- (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 transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets 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 assets 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 necessary a relationship between a high turnover rate and the performance of a fund.

Management and Performance Fees

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A, B, F and X of the Fund. The Fund pays a monthly management fee equal to 1/12 of 1% of the net asset value of Series Y.

The Fund pays a monthly service fee of 1/12 of 1% of the net asset value of the Series A, Series B, and Series Y shares calculated and paid at the end of each month. The Fund pays a monthly service fee of 1/12 of 0.50% of the net asset value of Series X shares.

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 manager is also entitled to 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 quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the S&P/TSX Composite Index (the “Benchmark”) over the same period. The fee will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per security of the Fund (including distributions) is greater than all previous values at the end of each previous quarter. The starting reference point for the next quarter’s calculation will be based on the higher of either the Benchmark performance adjusted net asset value per security or the adjusted actual net asset value per security, both with respect to the previous quarter in which a performance fee was payable.

Past Performance

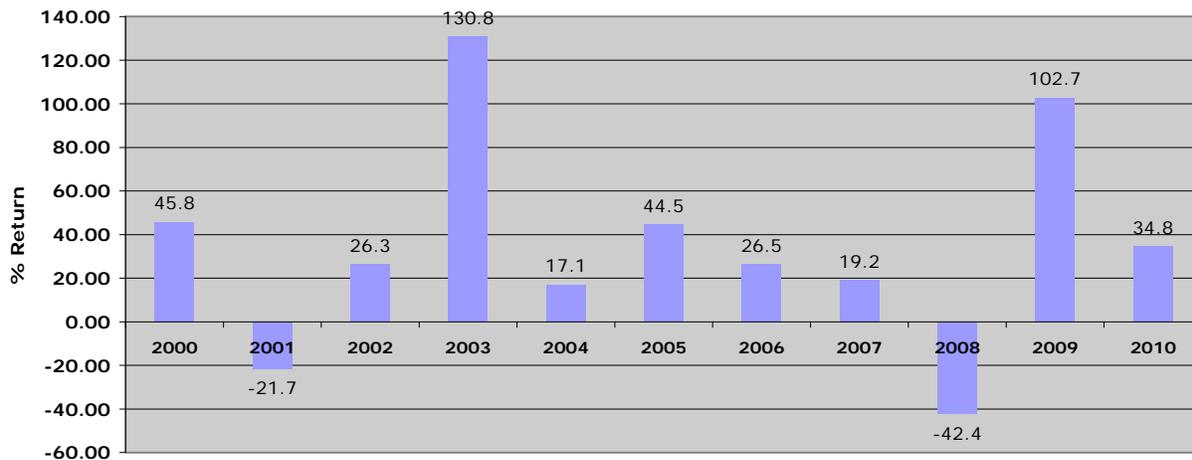
The past performance of the Fund is set out below and includes year-by-year returns and annual compound returns. With respect to the charts displayed below, please note the following:

- (a) the returns or performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units 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.

Year-By-Year Returns

The bar chart below shows the Fund’s annual total return in each of the past 10 financial years. It illustrates how the Fund’s performance has changed from year to year. This chart shows, in percentage terms, how much an investment made the first day of each financial year would have grown or decreased by the last day of each financial year.

Year-by-Year Returns



Annual Compound Returns

The following table shows the Fund's historical annual compound total return for the past 10, five, three and one financial year periods, as compared to the performance of the S&P/TSX Composite Index.

	Past 10 Years	Past 5 Years	Past 3 Years	Past Year
Front Street Special Opportunities Canadian Fund ⁽¹⁾⁽²⁾	24.8%	18.3%	15.0%	34.8%
S&P/TSX Composite Index	2.8%	4.1%	-4.7%	16.2%

- (1) Prior to July 23, 1999, the advisor to the Fund was MOF Management Ltd.
- (2) Effective December 1, 2009, Front Street Special Opportunities Canadian Fund Ltd. amalgamated with Front Street Mutual Funds Limited with Front Street Special Opportunities Canadian Fund being a new class of shares. The results shown are of the Front Street Special Opportunities Canadian Fund Ltd.

The S&P/TSX Composite Index is a float market capitalization that tracks the performance of some of the largest and most widely held Canadian stocks listed on the Toronto Stock Exchange (TSX). Prior to May 1, 2002, this index was called the TSE 300 Composite Index. The Fund outperformed the S&P/TSX Composite Index for each of the past 10, five, three and one year financial periods.

Summary of Investment Portfolio as at October 31, 2010

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	48.6%
Materials	30.6%
Australia	5.5%
Cash and cash equivalents	5.4%
Brazil	3.5%
Industrials	2.7%
United States	2.2%
Corporate Bonds	2.1%
Consumer Discretionary	1.2%
Financials	0.1%
SHORT POSITIONS	
Energy	-0.1%
OTHER	
	-1.8%
<hr/>	
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
Crew Energy Inc.	7.6%
Augusta Resource Corporation	5.9%
Alange Energy Corporation	5.5%
Rubicon Minerals Corporation	5.2%
Medoro Resources Limited	4.8%
Perseus Mining Limited	4.7%
Celtic Exploration Limited	3.7%
HRT Participacoes em Petroleo SA	3.4%
Second Wave Petroleum Inc.	3.3%
C&C Energia Limited	3.2%
Parex Resources Inc.	3.2%
Dalradian Resources Inc.	3.1%
SouthGobi Resources Limited	3.0%
Madalena Ventures Inc.	3.0%
Calmena Energy Services Inc.	2.6%
Arcan Resources Limited	2.1%
Laricina Energy Limited	2.1%
Gran Columbia Gold Corporation	2.1%
Entree Gold Inc.	2.1%
Torex Gold Resources Inc.	2.1%
Petroamerica Oil Corporation	1.9%
Southern Pacific Resources Corporation	1.9%
Trioil Resources Limited	1.8%
Spartan Exploration Limited	1.7%
Africa Oil Corporation	1.6%
	<hr/>
	81.6%
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TOTAL TRANSACTIONAL NET ASSET VALUE (000)	479,725

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

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**FINANCIAL STATEMENTS
OCTOBER 31, 2010**

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Special Opportunities Canadian Fund 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 auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Special Opportunities Canadian Fund. They are appointed by the Manager of the Fund. The external auditors have 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 19, 2011
Toronto, Ontario

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

Phone. 416 391 4499
Fax. 416 391 3280
Toll Free. 1 800 206 7307
info@segalllp.com

A MEMBER OF DFK INTERNATIONAL

AUDITORS' REPORT

To the Shareholders of Front Street Special Opportunities Canadian Fund (the "Fund")

We have audited the statements of net assets of the Front Street Special Opportunities Canadian Fund, (the "Fund") as at October 31, 2010 and as at November 27, 2009 and the statements of operations and changes in net assets for the period from November 28, 2009 to October 31, 2010 and the statement of investment portfolio as at October 31, 2010. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at October 31, 2010 and as at November 27, 2009 and the results of its operations and changes in its net assets for the periods then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 19, 2011

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENTS OF NET ASSETS AS AT OCTOBER 31, 2010

	October 31, 2010	November 27, 2009
ASSETS		
Investments, at fair value		
(cost - \$356,350,054)	\$ 462,994,092	\$ —
Cash and cash equivalents	26,019,811	10
Accounts receivable relating to shares issued	3,230,702	—
Accounts receivable relating to portfolio assets sold	979,907	—
Amounts receivable relating to accrued income	348,205	—
	<u>\$ 493,572,717</u>	<u>\$ 10</u>
LIABILITIES		
Performance fees payable	\$ 11,347,748	\$ —
Obligations from portfolio assets sold short, at fair value	574,990	—
Accrued expenses	1,079,301	—
Accounts payable relating to shares redeemed	446,938	—
Liabilities for portfolio assets purchased	300,195	—
	<u>13,749,172</u>	<u>—</u>
Net assets representing shareholders' equity	<u>\$ 479,823,545</u>	<u>\$ 10</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 45,439,740	\$ 10
Shares outstanding, Series A, note 3	4,585,825	1
Net assets per share, Series A	<u>9.91</u>	<u>10.00</u>
Net assets, Series B	\$ 79,427,491	\$ —
Shares outstanding, Series B, note 3	8,023,393	—
Net assets per share, Series B	<u>9.90</u>	<u>—</u>
Net assets, Series F	\$ 47,354,887	\$ —
Shares outstanding, Series F, note 3	4,590,213	—
Net assets per share, Series F	<u>10.32</u>	<u>—</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

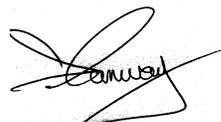
STATEMENTS OF NET ASSETS AS AT OCTOBER 31, 2010

	October 31, 2010	November 27, 2009
Net assets, Series X	\$ 115,222,848	\$ —
Shares outstanding, Series X, note 3	11,471,008	—
Net assets per share, Series X	<u>10.04</u>	<u>—</u>
Net assets, Series Y	\$ 192,378,579	\$ —
Shares outstanding, Series Y, note 3	19,100,381	—
Net assets per share, Series Y	<u>10.07</u>	<u>—</u>

On behalf of the Board of Front Street Mutual Funds Limited:



Gary P. Selke
Chief Executive Officer and Director



David A. Conway
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF OPERATIONS

FOR THE PERIODS ENDED OCTOBER 31, 2010 AND NOVEMBER 27, 2009

	November 28, 2009 to October 31, 2010 (11 1/4 Months)	November 27, 2009 (1 Day)
Investment income		
Interest	\$ 376,421	\$ —
Expenses		
Performance fees, notes 4 and 7	17,694,279	—
Management fees, notes 4 and 7	4,538,866	—
Servicing fees, notes 4 and 7	2,520,197	—
Administration fees	855,605	—
Legal fees	117,601	—
Operating costs, notes 4 and 7	105,715	—
Securityholder reporting costs	82,547	—
Custodial fees	71,751	—
Audit fees	45,742	—
Independent review committee	27,741	—
	<u>26,060,044</u>	<u>—</u>
Net investment loss for the period	<u>(25,683,623)</u>	<u>—</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain on sale of investments	31,717,888	—
Transaction costs, notes 6 and 7	(1,276,698)	—
Loss from derivatives	(190,115)	—
Change in the unrealized appreciation of the value of investments	<u>107,426,336</u>	<u>—</u>
Net gain on investments for the period	<u>137,677,411</u>	<u>—</u>
Net increase in the assets from operations for the period	<u>\$ 111,993,788</u>	<u>\$ —</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF OPERATIONS

FOR THE PERIODS ENDED OCTOBER 31, 2010 AND NOVEMBER 27, 2009

	November 28, 2009 to October 31, 2010 (11 1/4 Months)	November 27, 2009 (1 Day)
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 7,400,079	\$ —
Increase in net assets from operations per share, Series A	<u>\$ 2.84</u>	<u>\$ —</u>
Increase in net assets from operations, Series B	\$ 12,744,713	\$ —
Increase in net assets from operations per share, Series B	<u>\$ 2.77</u>	<u>\$ —</u>
Increase in net assets from operations, Series F	\$ 10,629,799	\$ —
Increase in net assets from operations per share, Series F	<u>\$ 2.62</u>	<u>\$ —</u>
Increase in net assets from operations, Series X	\$ 30,156,788	\$ —
Increase in net assets from operations per share, Series X	<u>\$ 2.41</u>	<u>\$ —</u>
Increase in net assets from operations, Series Y	\$ 51,062,409	\$ —
Increase in net assets from operations per share, Series Y	<u>\$ 2.42</u>	<u>\$ —</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIODS ENDED OCTOBER 31, 2010 AND NOVEMBER 27, 2009

	November 28, 2009 to October 31, 2010 (11 1/4 Months)	November 27, 2009 (1 Day)
Series A		
Net assets, beginning of period	\$ 10	\$ —
Net increase in net assets from operations	7,400,079	-
Shareholder transactions		
Proceeds from the issuance of shares	40,419,926	10
Aggregate amounts paid on the redemption of shares	(2,380,275)	—
	38,039,651	10
Net increase in net assets for the period	45,439,730	10
Net assets, end of period	\$ 45,439,740	\$ 10
Series B		
Net assets, beginning of period	\$ —	\$ —
Net increase in net assets from operations	12,744,713	—
Shareholder transactions		
Proceeds from the issuance of shares	77,199,913	—
Aggregate amounts paid on the redemption of shares	(10,517,135)	—
	66,682,778	—
Net increase in net assets for the period	79,427,491	—
Net assets, end of period	\$ 79,427,491	\$ —

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIODS ENDED OCTOBER 31, 2010 AND NOVEMBER 27, 2009

	November 28, 2009 to October 31, 2010 (11 1/4 Months)	November 27, 2009 (1 Day)
Series F		
Net assets, beginning of period	\$ —	\$ —
Net increase in net assets from operations	10,629,799	—
Shareholder transactions		
Proceeds from the issuance of shares	43,071,831	—
Aggregate amounts paid on the redemption of shares	(6,346,743)	—
	36,725,088	—
Net increase in net assets for the period	47,354,887	—
Net assets, end of period	\$ 47,354,887	\$ —
Series X		
Net assets, beginning of period	\$ —	\$ —
Net increase in net assets from operations	30,156,788	—
Shareholder transactions		
Proceeds from the issuance of shares	106,287,550	—
Aggregate amounts paid on the redemption of shares	(21,221,490)	—
	85,066,060	—
Net increase in net assets for the period	115,222,848	—
Net assets, end of period	\$ 115,222,848	\$ —

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIODS ENDED OCTOBER 31, 2010 AND NOVEMBER 27, 2009

	November 28, 2009 to October 31, 2010 (11 1/4 Months)	November 27, 2009 (1 Day)
Series Y		
Net assets, beginning of period	\$ —	\$ —
Net increase in net assets from operations	51,062,409	—
Shareholder transactions		
Proceeds from the issuance of shares	177,071,384	—
Aggregate amounts paid on the redemption of shares	(35,755,214)	—
	141,316,170	—
Net increase in net assets for the period	192,378,579	—
Net assets, end of period	\$ 192,378,579	\$ —
Total		
Net assets, beginning of period	\$ 10	\$ —
Net increase in net assets from operations	111,993,788	—
Shareholder transactions		
Proceeds from the issuance of shares	444,050,604	10
Aggregate amounts paid on the redemption of shares	(76,220,857)	—
	367,829,747	10
Net increase in net assets for the period	479,823,535	10
Net assets, end of period	\$ 479,823,545	\$ 10

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Corporate Bonds (2.1%)			
APO Energy Inc., 12%, Sep. 30, 2013 Convertible Debentur	5,000,000	\$ 5,174,751	\$ 5,095,489
P1 Energy, 12%, Dec. 31, 2010 Convertible Debenture	5,000,000	5,000,000	5,000,000
		<u>\$ 10,174,751</u>	<u>\$ 10,095,489</u>
Energy (48.6%)			
Africa Oil Corporation Restricted	3,000,000	\$ 3,000,000	\$ 5,938,800
Africa Oil Corporation Warrants	2,894,736	3	2,367,260
Alange Energy Corporation	35,394,255	17,964,887	25,483,863
Arcan Resources Limited	2,233,333	6,256,032	10,295,665
C&C Energia Limited	1,531,651	10,116,851	15,393,093
C3 Resources Inc. Restricted	500,000	112,500	112,500
Canadian International Oil Corporation Restricted	2,127,219	3,190,829	3,190,829
Canadian International Oil Corporation Warrants	2,127,219	-	2
Celtic Exploration Limited	1,443,500	14,522,101	17,682,875
Crew Energy Inc.	1,837,786	24,569,227	36,241,140
Hawk Exploration Limited 'A'	1,400,000	1,120,500	868,000
Laricina Energy Limited	335,000	5,192,500	10,050,000
Lignol Energy Corporation	530,637	116,740	132,659
Madalena Ventures Inc.	17,500,000	2,792,250	11,200,000
Madalena Ventures Inc. Warrants	8,500,000	-	3,320,687
Midway Energy Limited	1,829,912	5,939,847	6,734,076
Mitra Energy Limited	780,000	2,278,465	3,577,034
P1 Energy	40,600	113,680	111,650
Parex Resources Inc.	2,335,780	9,693,273	14,948,992
Petroamerica Oil Corporation	14,800,000	7,373,360	7,548,000
Petroamerica Oil Corporation Warrants November 4, 2014	5,600,000	6	1,223,152
Petroamerica Oil Corporation Warrants October 8, 2014	9,200,000	9	1,426,000
Range Energy Resources Inc.	8,500,000	3,264,000	892,500
Range Energy Resources Inc. Warrants	8,500,000	-	588,226
Second Wave Petroleum Inc.	5,874,900	12,538,610	15,862,230
SouthGobi Resources Limited	1,336,062	19,841,797	14,509,633
Spartan Exploration Limited	2,516,588	7,157,549	8,002,750
Touchstone Exploration Inc.	1,500,000	776,213	1,070,053
Trioil Resources Limited	1,424,974	7,065,577	8,478,595
UEX Corporation	2,047,100	2,088,042	3,009,237
Valeura Energy Inc.	6,795,500	3,214,692	2,820,133
		<u>\$ 170,299,540</u>	<u>\$ 233,079,634</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Consumer Discretionary (1.2%)			
Westport Innovations Inc.	317,300	\$ 4,270,858	\$ 5,828,801
Financials (0.1%)			
CanElson Drilling Inc.	99,599	\$ 300,052	\$ 273,897
Drako Capital Corporation Restricted	600,000	150,000	310,200
		<u>\$ 450,052</u>	<u>\$ 584,097</u>
Materials (30.6%)			
Augusta Resource Corporation	7,000,000	\$ 12,643,880	\$ 28,000,000
Camino Minerals Corporation	104,348	-	43,826
Coalcorp Mining Inc. Warrants	2,778,000	236,130	13,890
Copper Mesa Mining Corporation Warrants	500,000	2,500	1
Dalradian Resources Inc.	7,285,000	4,901,797	14,424,300
Dalradian Resources Inc. Warrants	825,000	33,000	536,250
E-Energy Ventures Inc.	3,285,000	139,613	197,100
Entree Gold Inc.	3,780,000	9,563,400	9,941,400
Excelsior Energy Limited	1,925,000	358,875	750,750
Excelsior Energy Limited Warrants June 14, 2015	225,000	1,125	49,325
Excelsior Energy Limited Warrants June 14, 2013	1,700,000	-	317,699
Golden Predator Corporation	2,925,000	1,987,200	1,842,750
Golden Predator Corporation Warrants	1,500,000	2	193,224
Gran Columbia Gold Corporation	20,000,000	8,000,000	7,900,000
Gran Columbia Gold Corporation Warrants	10,000,000	-	1,850,000
Lithium One Inc.	500,000	779,950	535,000
Medoro Resources Limited	11,532,233	17,117,080	21,795,920
Medoro Resources Limited Warrants 11/03/2011	7,375,000	2,478,369	885,000
Medoro Resources Limited Warrants 07/22/2011	333,333	50,000	130,072
Mirabela Nickel Limited	613,952	933,207	923,384
Mirabela Nickel Limited Restricted	586,048	890,793	881,416
Ocean Iron Ore Corporation	2,000,000	150,000	620,000
Portage Minerals Inc.	162,883	-	-
Quadra FNX Mining Limited	435,920	6,224,938	6,255,452
Quadra FNX Mining Limited Warrants	250,000	1,027,500	837,500

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Materials (continued...)			
Riva Gold Corporation	114,881	91,651	87,310
Rubicon Minerals Corporation	6,605,712	27,556,924	24,705,362
Solfotara Mining Corporation Restricted	2,857,142	1,000,000	1,000,000
Solfotara Mining Corporation Warrants	1,428,571	1	1
Southern Pacific Resources Corporation	6,700,241	7,732,474	8,911,321
Torex Gold Resources Inc.	6,616,297	7,376,186	8,998,164
Torex Gold Resources Inc. Warrants	1,886,291	258,226	660,202
Western Lithium Canada Corporation Warrants Restricted	600,000	570,000	283,915
Whitecap Resources Inc.	100,000	452,400	470,000
Wildcat Silver Corporation	1,168,471	466,093	455,704
Wildcat Silver Corporation Restricted	6,000,000	3,000,000	2,152,800
Wildcat Silver Corporation Warrants	3,000,000	-	89,373
		<u>\$ 116,023,314</u>	<u>\$ 146,738,411</u>
Industrials (2.7%)			
Calmena Energy Services Inc.	19,085,300	\$ 22,274,832	\$ 12,405,445
Trilliant Inc. Restricted	671,939	403,163	403,163
		<u>\$ 22,677,995</u>	<u>\$ 12,808,608</u>
Global Equities			
United States (2.2%)			
APO Energy Inc.	5,216,981	\$ 5,659,504	\$ 5,605,038
Integral Oil Services Inc.	3,125,000	5,113,520	5,095,489
		<u>\$ 10,773,024</u>	<u>\$ 10,700,527</u>
Australia (5.5%)			
Mirabela Nickel Limited	2,448,872	\$ 6,260,854	\$ 3,918,195
Perseus Mining Limited	7,533,102	12,780,288	22,515,640
		<u>\$ 19,041,142</u>	<u>\$ 26,433,835</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

STATEMENT OF INVESTMENT PORTFOLIO

AS AT OCTOBER 31, 2010

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Brazil (3.5%)			
HRT Participacoes em Petroleo SA	17,710	\$ 2,639,378	\$ 12,081,375
HRT Participacoes em Petroleo Warrants	8,850	-	4,643,315
		<u>\$ 2,639,378</u>	<u>\$ 16,724,690</u>
Total Long Positions		<u>\$ 356,350,054</u>	<u>\$ 462,994,092</u>
Short Positions			
Energy (-0.1%)			
Africa Oil Corporation	(25,000)	\$ (46,000)	\$ (51,250)
iShares S&P/TSX Capped Energy Fund	(29,000)	<u>(533,020)</u>	<u>(523,740)</u>
Total Short Positions		<u>\$ (579,020)</u>	<u>\$ (574,990)</u>
Transaction costs, note 2		<u>\$ (778,278)</u>	<u>\$ -</u>
Total Investments (96.4%)		<u><u>\$ 354,992,756</u></u>	<u>\$ 462,419,102</u>
Cash and cash equivalents (5.4%)			26,019,811
Other assets less other liabilities (-1.8%)			<u>(8,615,368)</u>
Net assets (100.0%)			<u><u>\$ 479,823,545</u></u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

1. THE FUND

Front Street Special Opportunities Canadian Fund (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. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure.

On November 24, 2009, the shareholders of Front Street Special Opportunities Canadian Fund Ltd. and Front Street Mutual Funds Limited approved the special resolutions to authorize the amalgamation of the Fund with Front Street Mutual Funds Limited, another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on December 1, 2009. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Pursuant to the amalgamation, Front Street Special Opportunities Canadian Fund Ltd. amalgamated with Front Street Special Opportunities Canadian Fund of Front Street Mutual Funds Ltd. Each former shareholder of Front Street Special Opportunities Canadian Fund Ltd. received one share of Front Street Special Opportunities Canadian Fund.

The transactional net asset value of the Front Street Special Opportunities Canadian Fund Ltd. acquired was as follows:

Total assets	\$ 326,762,703
Total liabilities	19,824,807
Net assets representing shareholders' equity	306,937,896

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

	Shares	Transactional NAV
Series X	13,792,935	\$ 103,962,629
Series Y	23,492,869	177,074,753
Series F	<u>3,347,183</u>	<u>25,900,514</u>
	<u>40,632,987</u>	<u>\$ 306,937,896</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

1. THE FUND (Continued...)

Summary financial information for Front Street Special Opportunities Canadian Fund Ltd. for the 1 month ended December 1, 2009 is as follows:

Investment income	\$	319
Total expenses		14,087,027
Net realized gain on investments		9,616,953
Net increase in net assets from operations for the period		10,293,413

Upon amalgamation, Front Street Mutual Funds Limited was considered to be the continuing Fund for securities regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, being Front Street Special Opportunities Canadian Fund (of which Series A, B, F, X and Y shares were created). Existing shareholders of the Series A, Series B and Series F shares of the Front Street Special Opportunities Canadian Fund Ltd. received Series X, Series Y or Series F shares respectively of Front Street Special Opportunities Canadian Fund class of shares of Front Street Mutual Funds Limited.

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, 2010.

The Fund is managed by Front Street Capital 2004 (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. RBC Dexia Investor Services Trust is the custodian. Citigroup Fund Services Canada, Inc. provides shareholder recordkeeping services and fund accounting services.

The Fund's investment objective is to provide Fund securityholders capital appreciation through the investment in equity securities of companies whose product, service or management team the Manager believes can realize value and growth. The Manager may rely on "top down" fundamental research to identify equity securities of companies in a particular industry or sector, but portfolio diversification will be driven primarily from the Fund's investments, as opposed to targeting sector weights.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

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, and obligations from portfolio assets sold short, at fair value have been classified as held for trading. Accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold and amounts receivable relating to accrued income have been classified as loans and receivables. Performance fees payable, accrued expenses, accounts payable relating to shares redeemed and liabilities for portfolio assets purchased have been classified as other financial liabilities.

In June 2008, the Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The 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 8) 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. These changes are effective September 8, 2008 and have been reflected in these financial statements.

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 the 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 SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

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 paragraphs (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 the 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.

- vii) The Fund invests in derivatives which represent financial instruments which may require little or no initial investment and which are settled in the future. These investments are commonly referred to as options or futures contracts. Futures contracts listed upon a principal exchange are valued at their last bid price (for long contracts) and last ask price (for short contracts) at the financial statement date. Contracts with no available bid and ask prices are valued at the fair value as determined by the Manager.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which have replaced Section 3861, Financial Instruments - Disclosure and Presentation. These new 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 9 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures on January 1, 2009. 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 11 for additional details.

These changes have no impact on the net assets, results of operations or changes in net assets of the Fund.

d) Transaction costs

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 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

f) 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 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.

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 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 weighted average number of shares outstanding of that series during the period.

i) 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 period.

j) 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 10 for additional details.

k) 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

l) 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 period. Significant estimates include the fair value of the Fund's investments in private companies and the fair value of the Fund's investments in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

m) Future accounting pronouncements

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, 2012, 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 of the implementation as new IFRS guidance become available from the International Accounting Standards Board.

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 does not expect the adoption of IFRS will have a material effect on the Fund's net asset value per share for all series of shares. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and 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 preliminary analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

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 between the first 18 months to 36 months following acquisition. No redemption fee applies to shares of this series sold after the third year 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 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.

Series Y shares

No redemption or commission fees are applicable to shares of this series.

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 period.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

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

The following share transactions took place during the period:

	For the period from November 28, 2009 to October 31, 2010 (11 ¼ Months)	November 27, 2009 (1 day)
Shares outstanding, beginning of the period:		
Series A	-	-
Series B	-	-
Series F	-	-
Series X	-	-
Series Y	-	-
Shares issued during the period:		
Series A	4,882,803	1
Series B	9,291,433	-
Series F	5,345,157	-
Series X	14,063,453	-
Series Y	23,492,421	-
Share distributions reinvested during the period:		
Series A	-	-
Series B	-	-
Series F	-	-
Series X	-	-
Series Y	-	-
Shares redeemed during the period:		
Series A	296,978	-
Series B	1,268,040	-
Series F	754,944	-
Series X	2,592,445	-
Series Y	4,392,040	-
Shares outstanding, end of the period:		
Series A	4,585,825	1
Series B	8,023,393	-
Series F	4,590,213	-
Series X	11,471,008	-
Series Y	19,100,381	-

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

4. MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A, B, F and X of the Fund. The Fund pays a monthly management fee equal to 1/12 of 1% of the net asset value of Series Y calculated and paid at the end of each month payable monthly in arrears.

The Fund pays a monthly service fee of 1/12 of 1% of the net asset value of the Series A, Series B, and Series Y shares calculated and paid at the end of each month. The Fund pays a monthly service fee of 1/12 of 0.50% of the net asset value of Series X shares calculated and paid at the end of each month.

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 quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the S&P/TSX Composite Index (the "Benchmark") over the same period. 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 quarter. The starting reference point for the next quarter's calculation is 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

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 income 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 share 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 Fund may be subject to provincial capital taxes.

The corporation's shares are qualified investments for registered plans.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended October 31, 2010 was \$1,276,698 (November 27, 2009 - \$Nil).

7. RELATED PARTY TRANSACTIONS

Management fees of \$4,538,866 (November 27, 2009 - \$Nil) were paid to the Manager during the period (see note 4). Servicing fees of \$2,520,197 (November 27, 2009 - \$Nil) were paid to the Manager during the period (see note 4). Operating costs of \$105,715 (November 27, 2009 - \$Nil) were paid to the Manager during the period (see note 4). Performance fees of \$17,694,279 (November 27, 2009 - \$Nil) were incurred with the Manager during the period (see note 4). Included in accrued expenses is \$455,075 (November 27, 2009 - \$Nil) of management fees payable to the Manager. Included in accrued expenses are \$234,019 (November 27, 2009 - \$Nil) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$7,986 (November 27, 2009 - \$Nil) of accrued operating costs payable to the Manager. Performance fees payable reflects performance fees of \$11,347,748 (November 27, 2009 - \$Nil) payable to the Manager.

39,536.12 (November 27, 2009 - Nil) of series F shares outstanding at period end representing 0.86% (November 27, 2009 - Nil%) of the total series F shares of the Fund are held by the Partners of the Manager. 31,749.01 (November 27, 2009 - Nil) of series F shares outstanding at period end representing 0.69% (November 27, 2009 - Nil%) of the total series F shares of the Fund are held by relatives of the Partners of the Manager.

1,826,888.31 (November 27, 2009 - Nil) of series Y shares outstanding at period end representing 9.56% (November 27, 2009 - Nil%) of the total series Y shares of the Fund are held by the Partners of the Manager. 1,773,644.39 (November 27, 2009 - Nil) of series Y shares outstanding at period end representing 9.29% (November 27, 2009 - Nil%) of the total series Y shares of the Fund are held by relatives of the Partners of 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 October 31, 2010, Tuscarora Capital Inc., a company under common control to the Manager, received \$44,119 (November 27, 2009 - \$Nil) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs and performance fees 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

8. 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 Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required for financial reporting periods 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 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, 2010

	<u>Net Asset Value</u>			<u>Net Asset Value per Share</u>	
	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV	GAAP NA
Series A	\$ 45,430,447	\$ 9,293	\$ 45,439,740	\$ 9.91	\$ 9.91
Series B	79,411,232	16,259	79,427,491	9.90	9.90
Series F	47,345,244	9,643	47,354,887	10.31	10.32
Series X	115,199,134	23,714	115,222,848	10.04	10.04
Series Y	192,339,093	39,486	192,378,579	10.07	10.07
Total	\$ 479,725,150	\$ 98,395	\$ 479,823,545		

9. FINANCIAL INSTRUMENTS

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

	As at October 31, 2010	As at November 27, 2009
Assets		
Held for trading	\$ 462,994,092	\$ -
Cash and cash equivalents	26,019,811	10
Loans and receivables	<u>4,558,814</u>	<u>-</u>
Total Assets	<u>493,572,717</u>	<u>10</u>
Liabilities		
Held for trading	574,990	-
Other financial liabilities at amortized cost	<u>13,174,182</u>	<u>-</u>
Total liabilities	<u>13,749,172</u>	<u>-</u>
Net Assets	<u>\$ 479,823,545</u>	<u>\$ 10</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

9. FINANCIAL INSTRUMENTS (Continued...)

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, amounts receivable relating to accrued income, performance fees payable, obligations from portfolio assets sold short, at fair value, accrued expenses, 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.

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, 2010, 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 price or investment specific events.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

9. FINANCIAL INSTRUMENTS (Continued...)

ii) Currency risk (continued...)

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

	Investment, at fair value	Cash	Foreign exchange contract	Total	Percentage of GAAP NA
Australian Dollar	\$ 13,620,783	\$ -	\$ -	\$ 13,620,783	2.84%
Brazilian Real Sterling	16,724,690	-	-	16,724,690	3.49%
United States Dollar	<u>20,443,104</u>	<u>375</u>	<u>-</u>	<u>20,443,479</u>	<u>4.26%</u>
	<u>\$ 50,788,577</u>	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ 50,788,952</u>	<u>10.59%</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, 2010, there were 2.12% of investments owned which are held in bonds. There were short-term investments representing 2.10% of the investments owned, all maturing in less than 30 days. The remaining portion of the Fund's investments are substantially in non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 10,095,489	\$ 452,898,603	\$ 462,994,092
Other receivables	-	-	4,558,814	4,558,814
Cash and cash equivalents	<u>16,028,511</u>	<u>9,991,300</u>	<u>-</u>	<u>26,019,811</u>
Total	<u>\$ 16,028,511</u>	<u>\$ 20,086,789</u>	<u>\$ 457,457,417</u>	<u>\$ 493,572,717</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 574,990	\$ 574,990
Other financial liabilities	<u>-</u>	<u>-</u>	<u>13,174,182</u>	<u>13,174,182</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,749,172</u>	<u>\$ 13,749,172</u>
GAAP NA				<u>\$ 479,823,545</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

9. 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	\$ 5,000,000	\$ 5,095,489	\$ -	\$ -	\$ 452,898,603	\$ 462,994,092
Other receivables	4,558,814	-	-	-	-	4,558,814
Cash and cash equivalents	<u>26,019,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,019,811</u>
Total	<u>\$ 35,578,625</u>	<u>\$ 5,095,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,898,603</u>	<u>\$ 493,572,717</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 574,990	\$ 574,990
Other financial liabilities	<u>13,174,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,174,182</u>
Total	<u>\$ 13,174,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,990</u>	<u>\$ 13,749,172</u>
GAAP NA						<u>\$ 479,823,545</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2010, the fair value of such assets was 8.18% 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

9. 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. 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, 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 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 value as recorded in the Fund's Statement of Net Assets.

As at October 31, 2010, the Fund had 2.1% (November 27, 2009 – Nil%) of holdings in long term debt instruments on which credit ratings are not available.

10. 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 since November 27, 2009.

The Fund does not have any externally imposed capital requirements.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2010 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

Assets at fair value as at October 31, 2010	Quoted price in active market for identical assets	Significant other observable input	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Investments, at fair value	\$ 399,720,049	\$ 24,032,847	\$ 29,145,707	\$ 452,898,603
Bonds	-	-	10,095,489	10,095,489
Short-term notes	-	9,991,300	-	9,991,300
	<u>\$ 399,720,049</u>	<u>\$ 34,024,147</u>	<u>\$ 39,241,196</u>	<u>\$ 472,985,392</u>
Liabilities at fair value as at October 31, 2010				
	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	<u>\$ 574,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,990</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2010

11. FAIR VALUE HIERARCHY (Continued...)

During the year ended October 31, 2010 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Fair value measurement	Investments, at fair value
	Equities - long	Bonds
Beginning balance as at November 27, 2009	\$ -	\$ -
Purchases	35,070,898	10,174,751
Sales	(10,208,957)	-
Transfers in	-	-
Transfers out	(4,591,700)	-
Gain (losses)		
Realized	2,793,921	-
Unrealized	6,081,545	(79,262)
	<u>\$ 29,145,707</u>	<u>\$ 10,095,489</u>

The securities involved in the transfers out were reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings.

12. SUBSEQUENT EVENTS

On December 23, 2010, Front Street Mutual Funds Limited ("FSMFL") and Front Street Resource Performance Fund Ltd. ("FSRPFL") issued a notice of special meeting of shareholders pertaining to the proposed amalgamation of Front Street Mutual Funds Limited and Front Street Resource Performance Fund Ltd. If the resolution is approved by the shareholders of the FSMFL and FSRPFL, the effective date of the amalgamation will be the close of business on February 28, 2011. The merger will be accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Upon amalgamation, FSMFL is considered to be the continuing fund for securities regulatory purposes. A new class of shares of FSMFL will be created, namely Series L of Front Street Resource Fund. Existing shareholders of FSRPFL will receive one share of Series L shares of Front Street Resource Fund class of shares of FSMFL.