



FRONT STREET

Special Opportunities Canadian Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET SPECIAL OPPORTUNITIES

CANADIAN FUND

FOR THE SIX-MONTH PERIOD ENDED APRIL 30, 2007

Front Street Special Opportunities Canadian Fund Ltd.
Statements of Net Assets (unaudited)
As at April 30, 2007 and October 31, 2006

	\$	\$
ASSETS		
Investments, at fair value (cost - \$144,212,024 ; 2006 - \$135,843,877)	169,532,992	147,172,039
Cash and cash equivalents	21,122,555	2,413,082
Accounts receivable relating to shares issued	2,888,954	-
Accounts receivable relating to portfolio assets sold	2,308,364	-
Accounts receivable relating to margin paid or deposited on futures contracts	547,224	-
Amounts receivable relating to accrued income	73,868	69,985
	<u>196,473,957</u>	<u>149,655,106</u>
LIABILITIES		
Accrued expenses <i>[note 7]</i>	2,128,134	219,970
Liabilities for shares redeemed	746,231	456,917
Liabilities for portfolio assets purchased	4,279,128	585,500
	<u>7,153,493</u>	<u>1,262,387</u>
Net assets representing shareholders' equity	<u>189,320,464</u>	<u>148,392,719</u>
Net assets applicable to outstanding shares allocated as follows:		
Net asset value, Series A	\$42,004,727	\$27,102,152
Shares Outstanding, Series A <i>[note 3]</i>	6,074,688	4,274,228
Net asset value per share, Series A	<u>\$6.91</u>	<u>\$6.34</u>
Net asset value, Series B	\$140,672,618	\$116,451,362
Shares Outstanding, Series B <i>[note 3]</i>	20,343,954	18,365,319
Net asset value per share, Series B	<u>\$6.91</u>	<u>\$6.34</u>
Net asset value, Series F	\$6,643,119	\$4,839,205
Shares Outstanding, Series F <i>[note 3]</i>	945,881	754,958
Net asset value per share, Series F	<u>\$7.02</u>	<u>\$6.41</u>

On behalf of the Board:



Normand G. Lamarche
Chief Executive Officer



Gary P. Selke
Chief Financial Officer

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.
 Statements of Operations (unaudited)
 For the Period Ended April 30

	2007	2006
	\$	\$
Investment Income		
Dividend revenue	66,784	55,030
Interest revenue	311,208	149,390
Income from derivatives	547,223	-
	<u>925,215</u>	<u>204,420</u>
Expenses		
Management fees [notes 4 and 7]	1,631,840	1,344,473
Performance fees [notes 4 and 7]	1,937,397	6,928,103
Audit fees	13,140	54,525
Custodial fees	172,674	139,211
Legal fees	26,283	24,521
Securityholder reporting costs	17,571	13,128
Administration fees	77,587	44,350
Other expenses	3,774	595,519
	<u>3,880,266</u>	<u>9,143,830</u>
Net investment loss for the period	(2,955,051)	(8,939,410)
Net realized and unrealized gain on investments		
Net realized gain on sale of investments	21,864,750	25,865,222
Transaction costs (note 2)	(386,475)	-
Change in unrealized appreciation of value of investments	15,245,725	27,024,414
Net gain on investments for the period	<u>36,724,000</u>	<u>52,889,636</u>
Net increase in net assets from operations for the period	<u>33,768,949</u>	<u>43,950,226</u>
Net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$6,702,084	\$6,631,646
Increase in net assets from operations per share, Series A	<u>\$1.38</u>	<u>\$1.91</u>
Increase in net assets from operations, Series B	\$25,922,915	\$36,191,075
Increase in net assets from operations per share, Series B	<u>\$1.35</u>	<u>\$1.91</u>
Increase in net assets from operations, Series F	\$1,143,950	\$1,127,505
Increase in net assets from operations per share, Series F	<u>\$1.39</u>	<u>\$1.94</u>

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.
Statement of Changes in Net Assets (unaudited)
For the Period Ended April 30

Series A	2007	2006
	\$	\$
Net increase in net assets from operations	6,702,084	6,631,646
Distributions to shareholders		
From realized gains on portfolio assets sold	(3,139,460)	(11,481)
Shareholder Transactions		
Proceeds from the issuance of shares	10,708,283	12,915,440
Net transfer of shares from other funds	86,609	-
Aggregate amounts paid on redemption of shares	(2,310,911)	(1,289,320)
Shares issued on reinvestment of distributions	3,084,833	11,197
	11,568,814	11,637,317
Net increase in net assets for the period	15,131,438	18,257,482
Net assets, beginning of period (note 2)	26,873,289	13,085,976
Net assets, end of period	42,004,727	31,343,458
Series B		
Net increase in net assets from operations	25,922,915	36,191,075
Distributions to shareholders		
From realized gains on portfolio assets sold	(13,260,275)	(67,518)
Shareholder Transactions		
Proceeds from the issuance of shares	18,096,634	53,662,800
Net transfer of shares from other funds	118,077	-
Aggregate amounts paid on redemption of shares	(18,729,621)	(15,460,335)
Shares issued on reinvestment of distributions	13,056,891	66,196
	12,541,981	38,268,661
Net increase in net assets for the period	25,204,621	74,392,218
Net assets, beginning of period (note 2)	115,467,997	77,803,004
Net assets, end of period	140,672,618	152,195,222

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.
Statement of Changes in Net Assets (unaudited) - Continued
For the Period Ended April 30

Series F	2007 \$	2006 \$
Net increase in net assets from operations	1,143,950	1,127,505
Distributions to shareholders		
From realized gains on portfolio assets sold	(533,426)	(2,200)
Shareholder Transactions		
Proceeds from the issuance of shares	1,912,046	3,794,379
Net transfer of shares from other funds	196,904	-
Aggregate amounts paid on redemption of shares	(1,400,339)	(1,734,493)
Shares issued on reinvestment of distributions	525,470	2,153
	1,234,081	2,062,039
Net increase in net assets for the period	1,844,605	3,187,344
Net assets, beginning of period (note 2)	4,798,514	2,521,808
Net assets, end of period	6,643,119	5,709,152
Total		
Net increase in net assets from operations	33,768,949	43,950,226
Distributions to shareholders		
From realized gains on portfolio assets sold	(16,933,161)	(81,199)
Shareholder Transactions		
Proceeds from the issuance of shares	30,716,963	70,372,619
Net transfer of shares from other funds	401,590	-
Aggregate amounts paid on redemption of shares	(22,440,871)	(18,484,148)
Shares issued on reinvestment of distributions	16,667,194	79,546
	25,344,876	51,968,017
Net increase in net assets for the period	42,180,664	95,837,044
Net assets, beginning of period (note 2)	147,139,800	93,410,788
Net assets, end of period	189,320,464	189,247,832

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.
Statement Of Investment Portfolio
As At April 30, 2007

	Number of Shares/ Units or Contracts	Cost/ Notional Amount \$	Market Value \$
Materials (40.6%)			
Ascendant Copper Corporation	1,500,000	2,153,000	930,000
Ascendant Copper Corporation Warrants November 21, 2010	500,000	-	47,500
Asia Gold Corporation	379,000	1,225,792	1,864,680
Augusta Resource Corporation	605,500	1,150,450	1,544,025
Augusta Resource Corporation Warrants March 21, 2008	1,430,000	-	-
Aurora Energy Resources Inc.	282,900	2,623,993	4,979,040
Committee Bay Resources Limited Restricted	2,700,000	1,485,000	1,373,760
Committee Bay Resources Limited Warrants February 15, 2010	1,350,000	-	-
Detour Gold Corporation	304,285	1,064,998	1,694,867
East Asia Minerals Corporation	2,050,000	2,568,000	2,521,500
East Asia Minerals Corporation Warrants October 27, 2007	1,000,000	-	-
Entree Gold Inc.	2,309,000	3,665,983	5,680,140
Fortress Minerals Corporation	625,000	750,000	843,750
Fortuna Silver Mines Inc.	808,900	1,488,982	2,386,255
International Royalty Corporation	980,000	4,216,597	7,379,400
Lignol Energy Corporation	500,000	767,200	730,000
Linear Gold Corporation	219,300	1,182,561	1,109,658
Mahalo Energy Limited	365,600	1,560,343	1,272,288
Minefinders Corporation Limited	650,000	5,739,967	8,092,499
Miranda Gold Corporation Warrants October 4, 2007	225,000	-	54,000
Moto Goldmines Limited	808,400	1,108,359	3,290,188
New Gold Inc.	120,800	970,024	991,768
Peregrine Diamonds Limited	955,966	3,347,657	1,653,821
Premier Gold Mines Limited	452,775	486,459	1,000,633
Red Back Mining Inc.	1,272,600	2,881,147	7,062,930
Revett Minerals Inc.	4,015,800	4,139,623	4,698,486
Rubicon Minerals Corporation	1,033,500	474,022	2,356,380
Sabina Silver Corporation	500,000	607,450	1,525,000
Silverstone Resources Corporation	165,900	207,375	398,160
Silverstone Resources Corporation Warrants June 7, 2007	135,300	-	70,356
Southern Arc Warrants March 20, 2008	143,000	-	-
Sprott Molybdenum Participation Corporation	400,000	1,960,000	2,488,000
Sprott Molybdenum Participation Corporation Warrants April 16, 2009	200,000	40,000	410,000
Virgin Resources Limited Restricted	1,100,000	1,000,000	1,100,000
Western Prospector Group Limited	849,700	2,038,266	4,758,320
Zazu Metals Corporation Special Warrants	1,000,000	1,157,247	1,106,844
Zincore Metals Inc.	2,000,000	1,000,000	1,540,000
		<u>53,060,495</u>	<u>76,954,248</u>
Energy (48.3%)			
Alberta Clipper Energy Inc.	300,000	1,800,000	1,170,000
Bayou Bend Petroleum Limited Subscription Receipts	1,600,000	1,920,000	4,464,000
Berens Energy Limited	1,801,700	5,054,286	1,981,870
Birchcliff Energy Limited	850,100	5,311,996	3,867,955
Bordeaux Energy Inc.	4,960,500	3,249,128	3,521,955
Bordeaux Energy Inc. Restricted	1,538,846	1,000,250	1,046,415
Celtic Exploration Limited	120,000	1,578,000	1,519,200
Choice Resources Corporation	850,000	807,500	569,500
Cordero Energy Inc.	440,500	3,118,740	2,616,570
Crew Energy Inc.	452,500	5,653,567	4,696,950
Crew Energy Inc. Subscription Receipts	100,000	1,030,000	1,034,000
Cyries Energy Inc.	110,500	1,151,728	1,408,875
Dual Energy International Inc.	599,500	300,709	200,833
Duvernay Oil Corporation	262,600	6,995,251	10,346,440

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.
Statement Of Investment Portfolio
As At April 30, 2007

	Number of Shares/ Units or Contracts	Cost/ Notional Amount \$	Market Value \$
Energy (48.3%) - continued			
E-Energy Ventures Inc.	850,000	533,630	467,500
Focus Energy Trust	346,969	7,911,081	6,540,366
Landdrill International Special Warrants	500,000	-	-
* Mitra Energy Limited	780,000	306,615	863,338
Norwood Resources Limited	435,000	592,364	1,383,300
OZZ Corporation Restricted	671,939	488,570	671,939
Pacific Stratus Energy Limited	450,000	4,500,000	5,535,000
Pearl Exploration and Production Limited	691,000	4,131,164	3,510,280
Petro Andina Resources Inc. Restricted	300,000	1,950,000	1,950,000
Petrobank Energy and Resources Limited	315,000	6,338,594	7,096,950
Pure Energy Services Limited	102,000	1,057,873	1,259,700
Range Royalty Limited Partnership 'B', Series 1 units	43,500	5,003	193,575
Savanna Energy Services Corporation	201,944	3,816,776	4,392,282
Serica Energy PLC	1,406,300	2,030,964	3,684,506
Spur Energy Inc.	98,524	-	-
Storm Exploration Inc.	646,300	4,049,861	5,241,493
TAG Oil Limited	962,500	1,251,250	163,625
Tusk Energy Inc.	873,968	3,847,709	1,704,238
Xtreme Coil Drilling Corporation	741,700	8,496,144	8,284,789
		<u>90,278,753</u>	<u>91,387,444</u>
Information Technology (0.3%)			
Musicrypt Inc. Restricted	1,900,000	475,000	608,000
Industrials (0.3%)			
Hanwei Energy Services Corporation Restricted	170,000	365,500	457,300
Ontario Hose Specialties Inc. Warrants August 5, 2008	1,538,846	-	-
Torr Canada Inc.	200,000	202,700	126,000
		<u>568,200</u>	<u>583,300</u>
Financials (0.0%)			
PetroWorld Corporation Warrants June 30, 2007	390,625	-	-
Index Futures [Gain, (Loss)] (0.3%)			
Natural Gas Futures, September 2007 at USD \$8.191 Current Value \$1,359,924	15	-	186,614
Natural Gas Futures, October 2007 at USD \$8.301 Current Value \$1,378,186	15	-	180,587
Natural Gas Futures, November 2007 at USD \$8.981 Current Value \$1,491,085	15	-	180,023
		<u>-</u>	<u>547,224</u>
Transaction costs (note 2)		<u>(170,424)</u>	<u>-</u>
TOTAL INVESTMENT PORTFOLIO (89.8%)		\$ <u>144,212,024</u>	170,080,216
Cash and Short Term Notes (11.2%)			21,122,555
Other Assets less Other Liabilities (-1.0%)			(1,882,307)
NET ASSETS (100.0%)			<u>\$ 189,320,464</u>

* Non Canadian Holdings

See accompanying notes to the financial statements

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

1. ABOUT THE FUND

Front Street Special Opportunities Canadian Fund Ltd. (the "Fund") is an open-ended mutual fund corporation which was formed under the *Canada Business Corporations Act* pursuant to the registration of articles of amalgamation effective April 12, 1990. The Fund's principal investment objective is capital appreciation primarily through investments in publicly traded equity securities including those of junior issuers.

The Fund is managed by Front Street Capital 2004 (the "Fund 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Adoption of new accounting standards

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 ("NI 81-106"), issued by the Canadian Securities Administrators in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). The adoption of Section 3855 would result in the use of different valuation techniques for certain investments.

Canadian securities regulatory authorities granted relief to investment funds complying with Section 3855, for the purposes of calculating of net asset value used for the investor transactions ("Transactional NAV") for a one year period ending September 30, 2007. The Canadian securities administrators is currently reviewing the suitability of applying Section 3855 for the purposes other than the preparation of financial statements. Depending on the outcome of such review, the method by which net asset value is calculated may change on October 1, 2007.

We adopted the provisions of Section 3855 retroactively without restatement of prior periods. Accordingly, the opening net asset value in the Statement of Changes in Net Assets for the period ended April 30, 2007 has been adjusted. Refer to note 8 for the amount adjusted for each series.

b) Valuation of investments

- (i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at their closing sale prices.

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

- (ii) Any investment for which a market quotation is not readily available (“private companies”) shall be valued at cost, in the absence of any subsequent financing, or shall be valued at its fair value as determined by the Fund Manager.
- (iii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) and (ii) above less a discount of 2% per month up to four months.

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

- (iv) Short-term investments are valued at amortized cost, which approximates market value.
- (v) Trust units are recorded at the closing bid price reported by the principal securities exchange in which the issue is traded or lacking any sales at the bid price 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 annual income allocated to the units by the trust.
- (vi) The Fund accounts for investments 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.
- (vii) The fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the market value of the security. Securities which are sold short are value at their asking prices on the valuation date. Securities with no available asking prices are valued at their closing price reported by the principal securities exchange on which the issue is traded or, lacking any purchase, at the closing offer price 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 is due to the lender of the security.

- (viii) Futures contracts listed upon a principal exchange are valued at their bid prices (for long commodity futures) and ask prices (for short commodity futures). Futures contracts with no available bid and ask prices are valued at their settlement prices. Where no price quotations are available, the fair value as estimated by the Manager will be used.

c) **Transaction Costs**

In accordance with Section 3855, transaction costs are expensed and are included in “Transaction costs” in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. Prior to the adoption of Section 3855, Transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments. There is no impact on the net asset value of the investment fund in using either of these methods.

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

d) Cash and cash equivalents

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

e) Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

f) 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.

g) Earnings (loss) per share

Earnings (loss) 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.

h) Net asset value per share

The net asset value per share is calculated by dividing the net asset value of a series of shares by the total number of shares of the series outstanding at the end of the period.

3. SHARES AUTHORIZED AND OUTSTANDING

The authorized capital of the Fund consists of an unlimited number of mutual fund shares, available in three series. Redemption and commission fees vary according to each series of shares as follows:

Series A shares

Redemption fees paid to the Fund 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.

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

Series B shares

Commission fees paid 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. 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.

The following share transactions took place during the period:

	2007	2006
Shares outstanding, beginning of the period:		
Series A	4,274,228	2,608,335
Series B	18,365,319	15,507,923
Series F	754,958	175,094
Shares issued during the period:		
Series A	1,694,104	2,114,137
Series B	2,875,539	8,976,178
Series F	336,850	588,570
Shares reinvested during the period:		
Series A	502,481	-
Series B	21,126,807	-
Series F	84,424	-
Shares redeemed during the period:		
Series A	(396,125)	(207,110)
Series B	(3,023,711)	(2,558,746)
Series F	(230,351)	(271,228)
Shares outstanding, end of period:		
Series A	6,074,688	4,515,362
Series B	20,343,954	21,925,356
Series F	945,881	818,156

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

4. MANAGEMENT AND PERFORMANCE FEES

Until April 2005, the Fund paid the Investment Advisor a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears. Commencing in May 2005, the Fund began to pay the Investment Advisor a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B shares; the Fund commenced paying the Investment Advisor a monthly management fee equal to 1/12 of 1% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for Series F shares.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are professional fees, printing expenses, filing fees, custodial fees, and expenses of making distributions to shareholders.

The Fund pays the Investment Advisor 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 calendar 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 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 calendar quarter. The starting reference point for the next calendar quarter's calculation will be 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.

5. INCOME TAX AND DISTRIBUTION

The Fund will qualify as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will have three types of income being Canadian dividends, taxable capital gains and other net taxable income. Income of the Fund, including taxable capital gains, will be subject to tax at applicable corporate tax rates, subject to allowable deductions for expenses and to applicable credits for foreign taxes paid on foreign-source income. The Fund is also subject to a 33 1/3% refundable tax on certain taxable dividends it receives in respect of shares of taxable Canadian corporations. This refundable tax is refunded when the Fund pays taxable dividends to its shareholders at a rate of \$1 of refund for every \$3 of taxable dividends paid by the Corporation to its shareholders. Tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or its Fund securities 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:

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

- (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 Fund may also be subject to large corporations' capital tax under Part 1.3 of the Income Tax Act (Canada) although it is proposed that such tax be reduced and then eliminated by 2008.

6. BROKERAGE COMMISSIONS

The commissions paid in connection with portfolio transactions for the period totaled to \$386,475 [2006 - \$511,712].

7. RELATED PARTY TRANSACTIONS

Management fees of \$1,631,840 [2006 - \$1,344,473] were paid to the Fund Manager during the period [see note 4]. Performance fees of \$1,937,397 [2006 - \$6,928,103] were also paid to the Fund Manager during the period [see note 6]. Included in accrued expenses are \$151,006 [2006- \$117,147] of management fees payable to the Fund 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 April 30, 2007, Tuscarora Capital Inc. received \$17,608 in commission on portfolio transactions for the Fund.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Front Street Special Opportunities Canadian Fund Ltd.

NOTES TO FINANCIAL STATEMENTS

April 30, 2007 (Unaudited)

8. RECONCILIATION OF NET ASSET VALUE

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the GAAP NAV of an investment fund is required for financial reporting periods (see note 2). For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry. These changes account for the difference between transactional NAV and GAAP NAV.

The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2007

	Net Asset Value			Net Asset Value per Share		Opening NAV
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV	Section 3855 Adjustment
Series A	42,216,345	(211,618)	42,004,727	6.95	6.91	(228,863)
Series B	141,381,323	(708,705)	140,672,618	6.95	6.91	(983,365)
Series F	6,676,583	(33,464)	6,643,119	7.06	7.02	(40,691)
Total Net Asset Value	190,274,251	(953,787)	189,320,464			(1,252,919)