



**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
AS AT OCTOBER 31, 2006
FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.**

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital, 87 Front Street East, Suite 400, Toronto, Ontario M5E 1B8 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.

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. Front Street Capital 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 Capital 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. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund offers three series of units and is therefore subject to series 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. These risks are all further described on page A-1 of the Simplified Prospectus.

Currency risk proved to have a minimal effect on the Fund's returns, as the Canadian dollar traded in a relatively narrow range, relative to the U.S. dollar, over the period. Currency risk impacted principally the Fund's investments, which had revenue in US\$. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity risk also affected Fund volatility. Specifically, the threat of oil-supply disruptions kept the price of oil high, only to reverse when the U.S. Federal Reserve Board signaled it was raising rates threatening a slowdown in U.S. consumption. While market volatility was high overall, the price of oil and gas was a positive factor that contributed to Canadian equity market performance, particularly in the energy sector.

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 when the current cycle of monetary policy tightening may be ending. As higher borrowing costs tend to slow the economy, rising interest rates tend to have a negative impact on the outlook for corporate-profit growth and therefore equity market performance.

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 only for investors seeking long-term growth with a high tolerance for risk and volatility and a long-term investment horizon.

RESULTS OF OPERATIONS

The Fund's investment advisor continued to focus on long-term capital appreciation for the portfolio during fiscal 2006. Sector allocation to the materials and energy sectors significantly contributed to the returns for the year. Company concentration was not evident as the investment advisor continued its long-standing commitment to a diversity of names while maintaining a focus on the sectors that had high appreciation potential.

The Fund benefited from strong inflows of capital through the period ending March 31, 2006, when the Fund was temporarily closed to new investment. The investment advisor was able to allocate the incremental capital profitably as investment opportunities were numerous.

Interest rate increases had only a slight negative impact for the Fund. Currency volatility also had a slight negative impact as revenues denominated in US\$ declined when converted to C\$ on most investee company's income statements. Notwithstanding this, the Fund had the benefit of a strong equity market for resource stocks as demand for commodities continued to grow in a supply-constrained environment.



RECENT DEVELOPMENTS

The Fund anticipates that volatility will continue in the equity markets for the foreseeable future. The perception exists that inventory levels are tight in most commodity groups leading to an inability to cushion any shocks to the system. This reality, coupled with a relatively benign interest rate environment, has led to steady economic growth, albeit at higher commodity price levels.

RELATED PARTY TRANSACTIONS

Front Street Capital (“FSC”) provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice, establishment of brokerage arrangements relating to the purchase and sale of the investment portfolio, and bookkeeping, record-keeping and other administrative services for the Fund.

The Fund’s portfolio advisor (the “Portfolio Advisor”) is Front Street Investment Management, Inc. (“FSIMI”). FSIMI is an affiliate of FSC and has entered into a Sub-Advisory Agreement to provide advisory services to the Fund.

As a result of providing investment advisory and management services, FSC receives a monthly management fee, based on the average net assets of each Series, calculated daily and payable monthly.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of FSC, 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 year ended October 31, 2006, Tuscarora Capital Inc. received \$34,078 in commission on portfolio transactions for the Fund.



FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five financial years. This information is derived from the Fund's audited annual financial statements.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. SERIES A

FOR THE YEARS ENDED OCTOBER 31,	2006	2005	2004	2003	2002
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of year	5.02	3.81	3.24	1.98	–
Increase (decrease) from operations:					
Total revenue	0.05	0.01	–	–	–
Total expenses	(0.39)	(0.25)	(0.20)	(0.51)	–
Realized gains (losses)	1.80	0.89	1.11	0.47	–
Unrealized gains (losses)	(0.47)	1.05	(0.34)	1.30	–
Total increase (decrease) from operations⁽¹⁾	0.99	1.70	0.57	1.26	–
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	(0.49)	–	–	–
Return of capital	–	–	–	–	–
Total distributions⁽²⁾	–	(0.49)	–	–	–
Net asset value, end of year	6.34	5.02	3.81	3.24	–

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

(2) Distributions were paid in cash and/or reinvested in additional shares of the Fund.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. SERIES B B

FOR THE YEARS ENDED OCTOBER 31,	2006	2005	2004	2003	2002
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of year	5.02	3.81	3.24	1.41	1.37
Increase (decrease) from operations:					
Total revenue	0.05	0.01	–	–	–
Total expenses	(0.42)	(0.26)	(0.20)	(0.51)	(0.07)
Realized gains (losses)	1.76	0.94	1.11	0.47	–
Unrealized gains (losses)	(0.23)	1.01	(0.34)	1.87	0.11
Total increase (decrease) from operations⁽¹⁾	1.16	1.70	0.57	1.83	0.04
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	(0.49)	–	(0.32)	–
Return of capital	–	–	–	–	–
Total distributions⁽²⁾	–	(0.49)	–	(0.32)	–
Net asset value, end of year	6.34	5.02	3.81	3.24	1.41

- (1) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (2) Distributions were paid in cash and/or reinvested in additional shares of the Fund.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. SERIES B

FOR THE YEARS ENDED OCTOBER 31,

	2006	2005	2004	2003	2002
	\$	\$	\$	\$	\$

Ratios and Supplemental Data Series B

Net assets (000's) ⁽³⁾	116,451	77,803	38,916	27,003	10,078
Number of shares outstanding	18,365,319	15,507,923	10,201,392	8,344,445	7,144,686
Management expense ratio ⁽⁴⁾	6.84%	5.56%	5.60%	24.11%	4.86%
Management expense ratio before waivers or absorptions	6.84%	5.56%	5.60%	24.11%	4.86%
Portfolio turnover rate ⁽⁵⁾	87.48%	46.00%	169.00%	3.00%	1.00%
Trading expense ratio ⁽⁶⁾	0.62%	0.52%	—	—	—

- (3) This information is provided as at period end of the year shown.
- (4) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. SERIES F

FOR THE YEARS ENDED OCTOBER 31,	2006	2005	2004	2003	2002
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Share					
Net asset value, beginning of year	5.04	3.81	3.24	1.98	–
Increase (decrease) from operations:					
Total revenue	0.05	0.01	–	–	–
Total expenses	(0.35)	(0.26)	(0.20)	(0.51)	–
Realized gains (losses)	1.79	0.94	1.11	0.47	–
Unrealized gains (losses)	(0.49)	1.03	(0.34)	1.30	–
Total increase (decrease) from operations⁽¹⁾	1.00	1.72	0.57	1.26	–
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	(0.49)	–	–	–
Return of capital	–	–	–	–	–
Total distributions⁽²⁾	–	(0.49)	–	–	–
Net asset value, end of year	6.41	5.04	3.81	3.24	–

- (1) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (2) Distributions were paid in cash and/or reinvested in additional shares of the Fund.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. SERIES F

FOR THE YEARS ENDED OCTOBER 31,

	2006	2005	2004	2003	2002
	\$	\$	\$	\$	\$

Ratios and Supplemental Data Series F

Net assets (000's) ⁽³⁾	4,839	2,522	668	25	-
Number of shares outstanding	754,958	500,814	175,094	7,713	-
Management expense ratio ⁽⁴⁾	5.61%	5.98%	5.60%	24.11%	-
Management expense ratio before waivers or absorptions	5.61%	5.98%	5.60%	24.11%	-
Portfolio turnover rate ⁽⁵⁾	87.48%	46.00%	169.00%	3.00%	-
Trading expense ratio ⁽⁶⁾	0.62%	0.52%	-	-	-

- (3) This information is provided as at period end of the year shown.
- (4) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.



MANAGEMENT AND PERFORMANCE FEES

Until April 2005, the Fund paid FSIMI 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 FSIMI 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 FSIMI 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 uses the management fees to pay for sales and trailing commissions to registered dealers.

	Series A	Series B	Series F
Annual Rates	2.00%	2.00%	1.00%
As a percentage of management fees			
Dealer Compensation	25%	50%	–
Investment management, admin & other	75%	50%	100%

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 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 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 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 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

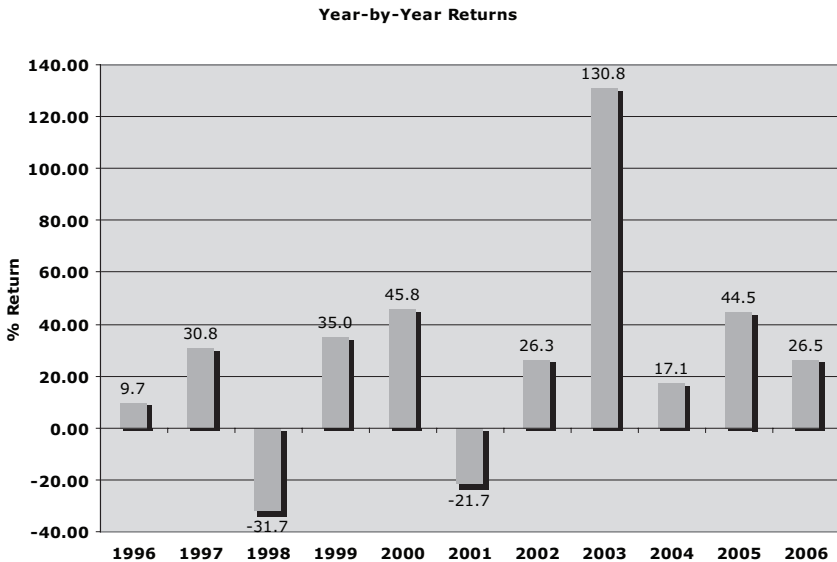
The past performance of the Fund is set out below and includes year-by-year returns and annual compound returns.

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.





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 ended on October 31, 2006, 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 Ltd. ⁽¹⁾	24.00%	44.21%	28.87%	26.47%
S&P/TSX Composite Index	8.23%	12.38%	16.67%	18.89%

(1) Prior to July 23, 1999, the advisor to the Fund was MOF Management 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, 2006

	% of Total
Cash and Short-Term Notes	1.6
Equities	
Materials	51.8
Energy	46.5
Information Technology	0.8
Industrial	0.1
Financials	0.0
Total Equities	99.2
Total Investments Portfolio	99.2
Total Investments Portfolio Including Cash and Short-Term	100.8
Other Assets	(0.8)
Total Net assets	100.0



Top 25 Investments

Red Back Mining Inc.	5.9%
Focus Energy Trust	5.6%
Xtreme Coil Drilling Corporation	5.4%
Duvernay Oil Corporation	4.7%
Moto Goldmines Limited	4.4%
Minefinders Corporation Limited	4.0%
Augusta Resource Corporation	3.9%
EuroZinc Mining Corporation	3.6%
International Royalty Corporation	3.6%
Revett Minerals Inc.	3.3%
Aurora Energy Resources Inc.	2.7%
Savanna Energy Services Corporation	2.7%
Birchcliff Energy Limited	2.5%
Entree Gold Inc.	2.4%
Crew Energy Inc.	2.4%
Pearl Exploration and Production Limited	2.3%
Major Drilling Group International Inc.	2.3%
Serica Energy PLC	2.2%
Western Prospector Group Limited	2.2%
Storm Exploration Inc.	2.2%
Global Alumina Corporation	2.1%
Cordero Energy Inc.	2.0%
Amerigo Resources Limited	1.9%
Berens Energy Limited	1.8%
Zenas Energy Corporation	1.6%

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained by contacting the Manager.



FRONT STREET
Special Opportunities
Canadian Fund Ltd.

FINANCIAL STATEMENTS

**FRONT STREET
SPECIAL OPPORTUNITIES
CANADIAN FUND LTD.**

OCTOBER 31, 2006



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Front Street Special Opportunities Canadian Fund Ltd. 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 Special Opportunities Canadian Fund Ltd. Management 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 management believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Special Opportunities Canadian Fund Ltd. is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with management 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 Ltd. 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

Normand G. Lamarche
Chief Executive Officer
Front Street Special Opportunities
Canadian Fund Ltd.

Gary P. Selke
Chief Financial Officer
Front Street Special Opportunities
Canadian Fund Ltd.

January 12, 2007



AUDITORS' REPORT

To the Shareholders of

Front Street Special Opportunities Canadian Fund Ltd. (the "Fund")

We have audited the statements of net assets of the Front Street Special Opportunities Canadian Fund Ltd., (the "Fund") as at October 31, 2006 and the statements of operations and changes in net assets for the year then ended and statement of investment portfolio as at October 31, 2006. 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 management, 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, 2006 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's figures, which have been presented for comparative purposes only, were reported on without reservation by another firm of chartered accountants.

Toronto, Ontario
January 12, 2007

Segal LLP
Chartered Accountants



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENTS OF NET ASSETS

AS AT OCTOBER 31

	2006	2005
	\$	\$
Assets		
Investments, at current value (cost – \$135,843,877; 2005 – \$73,733,082)	147,172,039	91,806,458
Cash and cash equivalents	2,413,082	1,217,731
Accounts receivable relating to shares issued	–	1,093,498
Amounts receivable relating to accrued income	69,985	605
	<u>149,655,106</u>	<u>94,118,292</u>
Liabilities		
Accrued expenses [note 8]	219,970	152,633
Liabilities for shares redeemed	456,917	130,871
Liabilities for portfolio assets purchased	585,500	424,000
	<u>1,262,387</u>	<u>707,504</u>
Net assets representing shareholders' equity	<u>148,392,719</u>	<u>93,410,788</u>
Net assets applicable to outstanding shares allocated as follows:		
Net asset value, Series A	\$27,102,152	\$13,085,976
Shares Outstanding, Series A [note 3]	4,274,228	2,608,335
Net asset value per share, Series A	<u>\$6.34</u>	<u>\$5.02</u>
Net asset value, Series B	\$116,451,362	\$77,803,004
Shares Outstanding, Series B [note 3]	18,365,319	15,507,923
Net asset value per share, Series B	<u>\$6.34</u>	<u>\$5.02</u>
Net asset value, Series F	\$4,839,205	\$2,521,808
Shares Outstanding, Series F [note 3]	754,958	500,814
Net asset value per share, Series F	<u>\$6.41</u>	<u>\$5.04</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

FOR THE YEARS ENDED OCTOBER 31

	2006	2005
	\$	\$
Investment income		
Dividend revenue	713,100	79,237
Interest revenue	447,535	62,397
	1,160,635	141,634
Expenses		
Management fees [note 4]	3,113,402	1,498,530
Performance fees [note 4]	6,120,056	2,343,414
Audit fees	98,388	26,750
Custodial fees	332,266	77,040
Legal fees	57,925	53,365
Securityholder reporting costs	37,614	26,049
Administration fees	140,688	106,367
Other expenses	40,108	3,532
	9,940,447	4,135,047
Net investment loss for the year	(8,779,812)	(3,993,413)
Realized and unrealized gain on investments		
Realized gain on sale of investments [note 5]	42,578,671	14,679,145
Change in unrealized appreciation [depreciation] of value of investments	(6,745,214)	12,903,914
Net gain on investments before the provision for income taxes for the year	35,833,457	27,583,059
Provision for income taxes	16,733	-
Net increase in net assets from operations for the year	27,036,912	23,589,646
Net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$3,884,145	\$2,611,929
Increase in net assets from operations per share, Series A	\$0.99	\$1.43
Increase in net assets from operations, Series B	\$22,472,072	\$20,273,661
Increase in net assets from operations per share, Series B	\$1.16	\$1.51
Increase in net assets from operations, Series F	\$680,695	\$704,056
Increase in net assets from operations per share, Series F	\$1.00	\$1.70

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED OCTOBER 31

Series A	2006	2005
	\$	\$
Net increase in net assets from operations	3,884,145	2,611,929
Distributions to shareholders		
From realized gains on portfolio assets sold	(11,481)	(457,501)
Shareholder Transactions		
Proceeds from the issuance of shares	13,121,558	8,689,887
Aggregate amounts paid on redemption of shares	(2,989,243)	(1,371,782)
Shares issued on reinvestment of distributions	11,197	450,824
	10,143,512	7,768,929
Net increase in net assets for the year	14,016,176	9,923,357
Net assets, beginning of year	13,085,976	3,162,619
Net assets, end of year	27,102,152	13,085,976

Series B

Net increase in net assets from operations	22,472,072	20,273,661
Distributions to shareholders		
From realized gains on portfolio assets sold	(67,518)	(5,258,424)
Shareholder Transactions		
Proceeds from the issuance of shares	53,877,683	40,782,097
Aggregate amounts paid on redemption of shares	(37,700,075)	(22,118,343)
Shares issued on reinvestment of distributions	66,196	5,207,581
	16,243,804	23,871,335
Net increase in net assets for the year	38,648,358	38,886,572
Net assets, beginning of year	77,803,004	38,916,432
Net assets, end of year	116,451,362	77,803,004

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENTS OF CHANGES IN NET ASSETS (CONT'D)

FOR THE YEARS ENDED OCTOBER 31

Series F	2006 \$	2005 \$
Net increase in net assets from operations	680,695	704,056
Distributions to shareholders		
From realized gains on portfolio assets sold	(2,200)	(165,709)
Shareholder Transactions		
Proceeds from the issuance of shares	3,928,579	2,903,496
Aggregate amounts paid on redemption of shares	(2,291,830)	(1,702,988)
Shares issued on reinvestment of distributions	2,153	115,001
	1,638,902	1,315,509
Net increase in net assets for the year	2,317,397	1,853,856
Net assets, beginning of year	2,521,808	667,952
Net assets, end of year	4,839,205	2,521,808
Total		
Net increase in net assets from operations	27,036,912	23,589,646
Distributions to shareholders		
From realized gains on portfolio assets sold	(81,199)	(5,881,634)
Shareholder Transactions		
Proceeds from the issuance of shares	70,927,820	52,375,480
Aggregate amounts paid on redemption of shares	(42,981,148)	(25,193,113)
Shares issued on reinvestment of distributions	79,546	5,773,406
	28,026,218	32,955,773
Net increase in net assets for the year	54,981,931	50,663,785
Net assets, beginning of year	93,410,788	42,747,003
Net assets, end of year	148,392,719	93,410,788

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENT OF INVESTMENT PORTFOLIO

AS AT OCTOBER 31, 2006

	Number of Shares/ Units	Cost \$	Market Value \$
Materials (51.8%)			
Amerigo Resources Limited	1,313,933	2,377,534	2,759,259
Ascendant Copper Corporation	1,500,000	2,153,000	1,125,000
Ascendant Copper Corporation Warrants November 21, 2010	500,000	–	71,250
Asia Gold Corporation	379,000	1,225,792	833,800
Augusta Resource Corporation	2,660,000	5,054,000	5,852,000
Augusta Resource Corporation Warrants March 21, 2008	1,430,000	–	–
Aurora Energy Resources Inc.	342,500	2,407,000	4,079,175
bcMetals Corporation Warrants November 21, 2006	50,000	–	–
bcMetals Corporation Warrants April 16, 2007	62,500	–	–
Chariot Resources Limited	3,502,000	1,549,360	2,171,240
Cline Mining Corporation	1,668,750	723,125	750,938
Constantine Metal Resources Limited	32,400	12,548	6,480
East Asia Minerals Corporation	2,050,000	2,568,000	902,000
East Asia Minerals Corporation Warrants October 27, 2007	1,000,000	–	–
Etree Gold Inc.	1,801,000	2,498,557	3,565,980
Everton Resources Inc. Warrants November 30, 2006	357,500	–	293,150
First Uranium Corporation Unit	300,000	300,000	300,000
Fortuna Silver Mines Inc.	818,900	1,507,390	1,433,075
*Global Alumina Corporation	2,147,000	4,368,244	3,181,919
International Royalty Corporation	1,080,000	4,646,862	5,367,600
Mahalo Energy Limited	365,600	1,560,343	965,184
Major Drilling Group International Inc.	150,000	2,479,500	3,352,500
Minefinders Corporation Limited	700,000	6,074,210	5,908,000
Miranda Gold Corporation Warrants October 31, 2007	225,000	–	69,750
Moto Goldmines Limited	987,000	1,315,931	6,603,030
Northgate Minerals Corporation	472,800	765,558	1,706,808
Peregrine Diamonds Limited	855,966	3,213,157	1,540,739
Premier Gold Mines Limited	502,775	540,179	442,442
Red Back Mining Inc.	2,402,700	5,439,676	8,697,774
Revett Minerals Inc.	4,015,800	4,139,623	4,899,276
Rubicon Minerals Corporation	1,915,500	1,372,775	1,934,655
Sabina Resources Limited	500,000	607,450	650,000
Silverstone Resources Corporation	270,600	338,250	235,422
Silverstone Resources Corporation Warrants June 7, 2007	135,300	–	14,207
Soho Resources Corporation	1,000,000	971,000	490,000
Southern Arc Minerals Inc.	3,369,333	755,200	1,010,800

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENT OF INVESTMENT PORTFOLIO (CONT'D)

AS AT OCTOBER 31, 2006

	Number of Shares/ Units	Cost \$	Market Value \$
Materials (51.8%) (cont'd)			
Southern Arc Minerals Inc. Warrants March 24, 2008	143,000	–	–
Virgin Resources Limited Restricted	1,100,000	1,000,000	1,100,000
Western Prospector Group Limited	899,700	2,158,206	3,283,905
Wolfden Resources Inc.	718,250	1,543,368	1,213,843
		<u>65,665,838</u>	<u>76,811,201</u>
Energy (46.5%)			
Alberta Clipper Energy Inc.	300,000	1,800,000	1,869,000
Berens Energy Limited	1,801,700	5,054,286	2,702,550
Birchcliff Energy Limited	850,100	5,534,873	3,782,945
Celtic Exploration Limited	120,000	1,578,000	1,540,800
Choice Resources Corporation	850,000	807,500	569,500
Choice Resources Corporation Warrants April 25, 2007	425,000	–	–
Cordero Energy Inc.	440,500	3,118,740	3,017,425
Crew Energy Inc.	263,500	3,643,047	3,515,090
Cyries Energy Inc.	110,500	1,151,728	1,408,875
Duvernay Oil Corporation	212,600	5,414,496	6,911,626
EuroZinc Mining Corporation	1,476,900	1,697,875	5,405,454
Focus Energy Trust	354,369	8,078,565	8,317,040
International Sovereign Energy Corporation	400,000	768,864	780,000
Landrill International Inc.	596,000	298,000	119,200
Landrill International Special Warrants	500,000	–	–
*Mitra Energy Limited	780,000	306,615	288,996
Norwood Resources Limited	660,000	898,759	891,000
Pearl Exploration and Production Limited	691,000	4,131,164	3,427,360
Petro Andina Resources Inc. Restricted	300,000	1,950,000	1,950,000
Range Royalty LP CI B Units	43,500	31,538	220,110
Savanna Energy Services Corporation	201,944	3,816,776	4,034,841
Serica Energy PLC	1,406,300	2,030,964	3,318,868
Spur Energy Inc.	98,524	–	–
Storm Exploration Inc.	456,900	2,729,417	3,221,145
TAG Oil Limited	962,500	1,251,250	481,250
True Energy Trust	73,810	793,458	791,243
Xtreme Coil Drilling Corporation	741,700	8,496,144	8,077,113
Zenas Energy Corporation	846,049	3,847,710	2,394,318
		<u>69,229,769</u>	<u>69,035,749</u>

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

STATEMENT OF INVESTMENT PORTFOLIO (CONT'D)

AS AT OCTOBER 31, 2006

	Number of Shares/ Units	Cost \$	Market Value \$
Information Technology (0.8%)			
Peer 1 Network Corporation	771,000	257,000	501,150
OZZ Corporation Restricted	671,939	488,570	671,939
		<u>745,570</u>	<u>1,173,089</u>
Financials (0.0%)			
PetroWorld Corporation Warrants June 30, 2007	390,625	—	—
Industrial (0.1%)			
Torr Canada Inc.	200,000	202,700	152,000
TOTAL INVESTMENT PORTFOLIO (99.2%)		<u>135,843,877</u>	147,172,039
Cash and Short Term Notes (1.6%)			2,413,082
Other Assets less Other Liabilities (-0.8%)			<u>(1,192,402)</u>
NET ASSETS (100.0%)			<u>148,392,719</u>

* Non Canadian Holdings

See accompanying notes to the financial statements



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2006

1. 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) 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 amount 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. Actual results may differ from those estimates.

(b) Valuation of investments

- (i) Investments listed on an exchange are valued at the closing sale price reported by the principal securities exchange on which the issue is traded or, lacking any sales, at the closing bid prices on the financial statement date. The difference between this amount and cost is shown as unrealized appreciation (depreciation) of investments. Securities for which reliable quotations are not readily available are valued at current value, as determined in good faith and pursuant to procedures established by the Manager.
- (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.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

OCTOBER 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (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.

(c) **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.

(d) **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.

(e) **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.

(f) **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 year.

(g) **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 year.

3. SHARES ISSUED 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 (CONT'D)

OCTOBER 31, 2006

3. SHARES ISSUED AND OUTSTANDING (CONT'D)

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 year.

The following share transactions took place during the year:

	2006	2005
Shares outstanding, beginning of the year:		
Series A	2,608,335	829,036
Series B	15,507,923	10,201,392
Series F	500,814	175,094
Shares issued during the year:		
Series A	2,141,592	1,878,847
Series B	8,997,046	9,092,591
Series F	600,369	658,799
Shares reinvested during the year:		
Series A	1,991	118,354
Series B	11,769	1,367,142
Series F	381	30,191
Shares redeemed during the year:		
Series A	477,690	217,902
Series B	6,151,419	5,153,202
Series F	346,606	363,270
Shares outstanding, end of the year:		
Series A	4,274,228	2,608,335
Series B	18,365,319	15,507,923
Series F	754,958	500,814



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

OCTOBER 31, 2006

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. NET REALIZED GAIN ON SALE OF INVESTMENTS

The net realized gain on sale of investments was as follows:

	2006	2005
Proceeds on sales of investments	\$ 120,629,830	\$ 46,049,509
Less cost of investments sold:		
Investments owned at beginning of year	73,733,082	33,606,833
Investments purchased during the year	140,161,954	71,496,613
Investments owned at end of year	<u>(135,843,877)</u>	<u>(73,733,082)</u>
Investments sold during the year	<u>78,051,159</u>	<u>31,370,364</u>
Net realized gain on sale of investments	<u>\$ 42,578,671</u>	<u>\$ 14,679,145</u>



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

OCTOBER 31, 2006

6. 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:

- (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.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

OCTOBER 31, 2006

7. BROKERAGE COMMISSIONS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2006 was \$921,499 (2005 - \$361,055).

8. RELATED PARTY TRANSACTIONS

Management fees of \$3,113,402 [2005 - \$1,498,530] were paid to the Investment Advisor during the year [see note 4]. Performance fees of \$6,120,056 [2005 - \$2,343,414] were also paid to the Investment Advisor during the year [see note 4]. Included in accrued expenses are \$152,578 [2005 - \$148,143] of management fees payable to the Investment Advisor.

638,790.176 of series A shares outstanding at year end representing 6.185% of the Series A shares of the Fund are held by the Partners of Front Street Capital 2004. 374,556.507 of series A shares outstanding at year end representing 8.76% of the Series A shares of the Fund are held by relatives of the Partners of Front Street Capital 2004.

1,194,616.756 of series B shares outstanding at year end representing 6.50% of the Series B shares of the Fund are held by the Partners of Front Street Capital 2004. 1,509,003.214 of series B shares outstanding at year end representing 8.22% of the Series B shares of the Fund are held by relatives of the Partners of Front Street Capital 2004.

5,575.178 of series F shares outstanding at year end representing 0.74% of the Series F shares of the Fund are held by relatives of the Partners of Front Street Capital 2004.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of Front Street Capital 2004 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 year ended October 31, 2006, Tuscarora Capital Inc. received \$34,078 (2005 - \$15,158) 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.

9. FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of investments, at current value, cash and cash equivalents, accounts receivable relating to shares issued, amounts receivable relating to accrued income, accrued expenses, liabilities for shares redeemed and liabilities for portfolio assets purchased. It is management's opinion that the Fund is not exposed to significant interest, currency or 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.

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.



FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

OCTOBER 31, 2006

9. FINANCIAL INSTRUMENTS (CONT'D)

(i) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities in the market. All trading instruments are recognized at fair value and all changes in market conditions directly affect net assets from operations.

(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.

(iii) Interest rate risk

The Fund is exposed to interest rate risk related to short-term deposits and borrowings as well as investments in government and corporate debt instruments. Consequently, the cash flows related to interest income and expense and the valuation of debt instruments could vary significantly from current value.

10. CREDIT RISK MANAGEMENT

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.

11. SUBSEQUENT EVENT

On December 29, 2006 the Fund declared and paid a capital gains dividend in the amount of \$0.750974 per share to the shareholders of record on December 28, 2006. Except for those shareholders which have requested that any dividends be paid in cash, the dividend was paid in the form of additional shares at the post-dividend net asset value per share on December 29, 2006.

12. COMPARATIVE AMOUNTS

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

