



FRONT STREET

Special Opportunities Canadian Fund

**FRONT STREET SPECIAL OPPORTUNITIES CANADIAN
FUND**

A FRONT STREET CAPITAL MUTUAL FUND

Management Report of Fund Performance

and

Annual Financial Statements

October 31, 2009

Annual Management Report of Fund Performance As at October 31, 2009

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 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 Annual 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. 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.

Currency risk proved to have an effect on the Fund’s returns, as the Canadian dollar traded in a wide range, relative to the US dollar, over the period. Currency risk impacted principally the Fund’s investments that 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. 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 US Federal Reserve’s monetary policy activities and public communications for indications as to interest rate policy.

Credit risk was a factor this year. After significantly curtailing lending in 2008, banks began lending again, albeit at much higher costs to borrowers. Both investment grade and non-investment grade corporate bond markets have seen spreads over treasuries come in from record-wide levels in 2008. Spreads remain elevated, reflecting ongoing default risk. As higher borrowing costs tend to slow the economy, higher borrowing costs 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. The Fund is a suitable investment for investors or portfolios seeking capital appreciation as an important objective, a medium tolerance for risk and volatility, with the expectation of long-term returns.

Results of Operations

The Investment Advisor continued to focus on long-term capital appreciation for the portfolio during 2008 and the early part of 2009. In the fall of 2008, the sharp sell-off in commodities and the slowing global economy dramatically affected the resource equity markets and the performance of the Fund. Smaller capitalized companies were hurt the most as investors sought the perceived safety and liquidity of larger companies. Restricted cash flows and a lack of bank lending has limited many companies’ ability to finance growth. In early 2009, the Fund has benefited from a recovery in resource markets as energy and base metal stocks in particular performed strongly as commodities rose. The Fund is long the group, focusing on companies with strong balance sheets or strategic assets, whose values now will look very attractive when the world comes out of its economic slowdown.

Recent Developments

After the Fund's year end, equity and commodity markets continued to perform strongly. Strong manufacturing number out of many countries including China helped fuel this rally. Although the worst part of the downturn appears to be behind us, there are still pockets of the world experiencing financial crises. Dubai, Spain, and Greece are amongst a group of countries who have either threatened to default on their debt, or who have had their debt ratings severely downgraded.

On November 24, 2009, the shareholders of the Fund 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).

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 (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 Fund 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.

Ontario sales tax and GST harmonization

Effective July 1, 2010, Ontario provincial sales tax will be harmonized with the federal goods and services tax ("GST"), resulting in a federally administered tax of 13%. Management fees and other service fees charged to the Fund are currently not subject to Ontario Retail Sales Tax ("ORST"). Under Ontario's proposed harmonization with the GST, these services will be subject to an additional tax of 8%. This proposal is expected to have an effect on investment funds. Such funds will not be entitled to recover this additional cost, as they are not currently able to recover the 5% GST.

International Financial Reporting Standards ("IFRS")

Effective for its fiscal year commencing November 1, 2011, 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

Front Street Capital 2004 (“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 an Advisory Agreement to provide advisory services to the Fund.

As a result of providing investment advisory, the Manager 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. For the year ended October 31, 2009, the Fund paid Tuscarora Capital Inc. an amount of \$6,938 (2008- \$31,431) in commissions on investment portfolio transactions for the Fund. Tuscarora Capital Inc., the Fund Manager and the Investment Advisor are controlled by the same group of entities and individuals.

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.

Series A					
The Fund's Net Assets per Unit ⁽¹⁾	October 31 2009	October 31 2008	October 31 2007	October 31 2006	October 31 2005
Net assets, beginning of the year	\$3.60	\$6.76	\$6.29	\$5.02	\$3.81
Increase (decrease) from operations:					
Total revenue	0.02	0.02	0.10	0.05	0.01
Total expenses	(0.13)	(0.33)	(0.20)	(0.39)	(0.25)
Realized gains (losses) for the year	(0.18)	(0.40)	0.69	1.80	0.89
Unrealized gains (losses) for the year	4.13	(2.63)	0.32	(0.47)	1.05
Total increase (decrease) from operations ⁽²⁾	3.84	(3.34)	0.91	0.99	1.70
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	(0.30)	(0.75)	—	(0.49)
Return of capital	—	—	—	—	—
Total annual distributions to Shareholders ⁽³⁾	—	(0.30)	(0.75)	—	(0.49)
Net assets, end of the year	\$7.34	\$ 3.60	\$6.76	\$6.34	\$5.02

- (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⁾	94,994	35,759	50,120	27,102	13,086
Number of units outstanding ⁽¹⁾	12,925,004	9,858,124	7,412,200	4,274,228	2,608,335
Management expense ratio ⁽²⁾	2.56%	5.35%	2.82%	6.37%	5.56%
Management expense ratio before waivers or absorptions	2.56%	5.35%	2.82%	6.37%	5.56%
Trading expense ratio ⁽³⁾	0.60%	0.39%	0.37%	0.62%	0.52%
Portfolio turnover rate ⁽⁴⁾	100.97%	78.01%	57.94	87.48%	46.00%
Net asset value per unit	\$7.35	\$3.62	\$6.81	\$6.34	\$5.02

- (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 2009	October 31 2008	October 31 2007	October 31 2006	October 31 2005
Net assets, beginning of the year	\$3.60	\$6.76	\$6.29	\$5.02	\$3.81
Increase (decrease) from operations:					
Total revenue	0.02	0.02	0.09	0.05	0.01
Total expenses	(0.12)	(0.34)	(0.20)	(0.42)	(0.26)
Realized gains (losses) for the year	(0.25)	(0.40)	0.83	1.76	0.94
Unrealized gains (losses) for the year	4.07	(2.20)	0.38	(0.23)	1.01
Total increase (decrease) from operations ⁽²⁾	3.72	(2.92)	1.10	1.16	1.70
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	(0.30)	(0.75)	—	(0.49)
Return of capital	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	(0.30)	(0.75)	—	(0.49)
Net assets, end of the year	\$7.34	\$3.60	\$6.76	\$6.34	\$5.02

- (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⁾	163,232	73,558	139,647	116,451	77,803
Number of units outstanding ⁽¹⁾	22,209,494	20,279,102	20,652,090	18,365,319	15,507,923
Management expense ratio ⁽²⁾	2.44%	5.35%	2.82%	6.84%	5.56%
Management expense ratio before waivers or absorptions	2.44%	5.35%	2.82%	6.84%	5.56%
Trading expense ratio ⁽⁵⁾	0.60%	0.39%	0.37%	0.62%	0.52%
Portfolio turnover rate ⁽⁴⁾	100.97%	78.01%	57.94%	87.48%	46.00%
Net asset value per unit	\$7.35	\$3.62	\$6.81	\$6.34	\$5.02

- (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

The Fund's Net Assets per Unit ⁽¹⁾

	October 31 2009	October 31 2008	October 31 2007	October 31 2006	October 31 2005
Net assets, beginning of the year	\$3.71	\$6.91	\$6.36	\$ 5.04	\$3.81
Increase (decrease) from operations:					
Total revenue	0.01	0.02	0.09	0.05	0.01
Total expenses	(0.13)	(0.34)	(0.14)	(0.35)	(0.26)
Realized gains (losses) for the year	0.23	(0.41)	0.80	1.79	0.94
Unrealized gains (losses) for the year	4.21	(2.49)	0.38	(0.49)	1.03
Total increase (decrease) from operations ⁽²⁾	4.32	(3.22)	1.13	1.00	1.72
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	(0.32)	(0.75)	—	(0.49)
Return of capital	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	(0.32)	(0.75)	—	(0.49)
Net assets, end of the year	\$7.54	\$3.71	\$6.91	\$6.41	\$5.04

- (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⁾	22,387	3,892	6,681	4,839	2,522
Number of units outstanding ⁽¹⁾	2,963,645	1,042,454	967,386	754,958	500,814
Management expense ratio ⁽²⁾	2.44%	5.34%	1.88%	5.61%	5.98%
Management expense ratio before waivers or absorptions	2.44%	5.34%	1.88%	5.61%	5.98%
Trading expense ratio ⁽⁵⁾	0.60%	0.39%	0.37%	0.62%	0.52%
Portfolio turnover rate ⁽⁴⁾	100.97%	78.01%	57.94%	87.48%	46.00%
Net asset value per unit	\$7.55	\$3.73	\$6.95	\$6.41	\$5.04

- (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.

Management and Performance Fees

Until April 2005, the Fund paid FSC 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

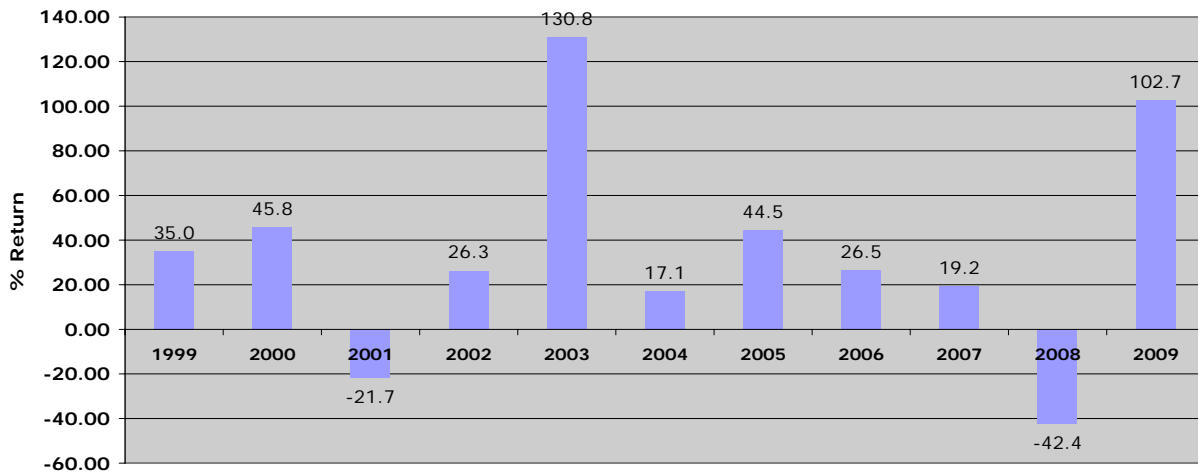
The past performance of the Fund is set out below and includes year-by-year returns and annual compound returns. With respect to the charts displayed below, please note the following:

- (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.

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 Ltd. ⁽¹⁾	25.8%	20.6%	10.8%	102.7%
S&P/TSX Composite Index	4.2%	4.2%	-4.0%	11.8%

(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, 2009

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	43.6%
Materials	38.4%
Cash and cash equivalents	8.6%
Industrials	6.2%
United States	2.4%
Australia	2.5%
Consumer Discretionary	1.2%
Brazil	1.0%
Corporate Bond	0.4%
SHORT POSITIONS	
Energy	-0.2%
Other assets less other liabilities	-4.1%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
Crew Energy Inc.	6.4%
Blackwatch Energy Services Corporation	6.1%
Alange Energy Corporation	5.8%
Petro Andina Resources Inc.	5.3%
Southgobi Energy Resources	5.3%
Ventana Gold Corporation	4.9%
Pacific Rubiales Energy Corporation	6.5%
Entree Gold Inc.	3.7%
Ivanhoe Mines Limited	3.6%
Petrobank Energy and Resources Limited	3.5%
Mirabela Nickel Limited	2.8%
Medoro Resources Limited	4.0%
Athabasca Potash Inc.	2.5%
Gran Tierra Energy, Inc.	2.5%
Perseus Mining Limited	2.3%
Detour Gold Corporation	2.2%
FNX Mining Company Inc.	2.5%
Second Wave Petroleum Inc	2.0%
Laricina Energy Limited	1.9%
Celtic Exploration Limited	1.8%
Cantrell Capital Corporation	1.7%
Rubicon Minerals Corporation	1.4%
Gas-Frac Energy Services Inc.	1.4%
Range Metals Inc.	1.3%
Westport Innovations Inc.	1.2%
	82.6%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$280,614

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



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