



FRONT STREET
Mutual Funds Limited

FRONT STREET MUTUAL FUNDS LIMITED

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

Management Report of Fund Performance

and

Interim Financial Statements

April 30, 2012

Interim Management Report of Fund Performance As at April 30, 2012 Front Street Special Opportunities Canadian Fund

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

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

Forward Looking Information

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Management Discussion of Fund Performance

Investment Objective and Strategies

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

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

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

Risk

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

Currency risk proved to have an effect on the Fund's returns, as the Canadian dollar traded in a wide range relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front. Equity risk also affected Fund volatility. Market volatility was very high this year, as each recovery seemed to be met by a sell-off. Fears of political and economic events around the world influenced stock market direction. Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to interest rate policy. We also saw sharply higher rates being priced into European bond issues, to compensate the risks inherent in their central banks.

Credit risk was another factor this past year. In the aftermath of the credit crisis banks are only now starting to lend, but with much higher fees attached. Many companies which are relying on debt to finance expansions have had to halt plans as the funds are not currently available.

The Fund has multiple risks associated with equity markets. Investors whose primary concern is preservation of capital should not be invested in this Fund. The Fund is suitable for investors seeking long-term growth with a tolerance for risk and volatility and a long-term investment horizon.

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

Results of Operations

After initially starting 2012 on a strong note, resource markets corrected sharply in March and April. Fears of an economic slowdown in China caused investors to flee the commodities sector. GDP growth there slowed to 8.1% in the first quarter, but looking at the statistics we see that the Chinese government had engineered this slowdown in an attempt to rein in inflation. Now that they have accomplished this the government have stated that they are open to monetary and fiscal easing, possibly stimulating growth in the second half of the year.

Fears of Greece continuing to implode and the contagion effects on the rest of Europe also spooked investors. After initially agreeing to another bailout the ECB eventually withheld support until the austerity conditions of the deal were met by Greece. Unfortunately in their recent federal elections no party was able to win a mandate, and many parties had campaigned against massive budget cuts. The Greeks will return to the poles later in June, so we may see some market uneasiness until there is a solution there.

All of this uncertainty led investors to seek the safest investments they could find, shifting massive amount of capital to the US dollar. So even though many commodities, like oil, rose throughout the period investors sold the producing companies. In a strange twist even gold, seen as the ultimate store of value, sold off as investors sought liquidity. We also saw a much greater decline in intermediate to small cap companies, as investors sought the perceived safety of larger capitalized entities.

During the period ended April 30, 2012, the Fund earned investment income of \$1.7 million from dividends and interest. There were net realized losses on the sale of investments of \$34.4 million and an unrealized depreciation on the value of investments of \$51.3 million.

Operating expenses, excluding management fees, performance fees and servicing fees, totaled \$920,413 during the period ended April 30, 2012.

Recent Developments

Post period end, the effects of China's tight monetary policy started to show as their inflation rate was falling quite dramatically. This should allow them to ease interest rates to help bolster economic growth. We also had a summit of European leaders reach agreement on changes to the EU treaty, mainly aimed at tighter fiscal rules, which may help some of the countries out of their debt crises.

International Financial Reporting Standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, 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 on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

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 the following areas of differences have been identified:

- a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated 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 current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

Related Party Transactions

Management fees of \$3,999,051 (April 30, 2011 - \$4,548,549) were paid to the Manager during the period. Servicing fees of \$2,038,435 (April 30, 2011 - \$2,441,509) were paid to the Manager during the period. Operating costs of \$102,087 (April 30, 2011 - \$69,919) were paid to the Manager during the period. Performance fees of \$Nil (April 30, 2011 - \$8,280,992) were incurred with the Manager during the period. Included in accrued expenses is \$600,627 (October 31, 2011 - \$655,940) of management fees payable to the Manager. Included in accrued expenses are \$313,016 (October 31, 2011 - \$343,167) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$62,157 (October 31, 2011 - \$7,986) of accrued operating costs payable to the Manager.

39,536.12 (October 31, 2011 - 39,536.12) of series F shares outstanding at period end representing 0.52% (October 31, 2011 - 0.58%) of the total series F shares of the Fund are held by the Partners of the Manager. 22,919.09 (October 31, 2011 - 27,991.81) of series F shares outstanding at period end representing 0.30% (October 31, 2011 - 0.41%) of the total series F shares of the Fund are held by relatives of the Partners of the Manager.

1,826,888.31 (October 31, 2011 - 1,826,888.31) of series Y shares outstanding at period end representing 11.99% (October 31, 2011 - 11.21%) of the total series Y shares of the Fund are held by the Partners of the Manager. 1,730,700.36 (October 31, 2011 - 1,746,175.32) of series Y shares outstanding at period end representing 11.36% (October 31, 2011 - 10.71%) of the total series Y shares of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non affiliated, qualified brokerage firms, on an execution-only basis. During the period ended April 30, 2012, Tuscarora Capital Inc., a company under common control to the Manager, received \$6,215 (April 30, 2011 - \$35,885) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs and performance fees are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past two financial years. This information is derived from the Fund's audited annual financial statements and interim financial statements for the period ended April 30, 2012.

Series A The Fund's Net Assets per Share	April 30 2012	October 31 2011 ⁽¹⁾	October 31 2010 ⁽¹⁾
Net assets, beginning of the period	\$ 8.85	\$ 9.91	\$ -
Increase (decrease) from operations:			
Total revenue	0.03	0.03	0.01
Total expenses	(0.13)	(0.43)	(0.76)
Realized gains (losses) for the period	(0.53)	0.52	0.76
Unrealized gains (losses) for the period	(0.97)	(2.26)	2.83
Total increase (decrease) from operations ⁽²⁾	(1.60)	(2.14)	2.84
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—
Net assets, end of the period	\$ 7.39	\$ 8.85	\$ 9.91

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	99,213	99,061	45,430
Number of shares outstanding ⁽¹⁾	13,316,506	11,120,549	4,585,825
Management expense ratio ⁽²⁾	3.07%	4.15%	10.03%
Management expense ratio before waivers or absorptions	3.07%	4.15%	10.03%
Trading expense ratio ⁽³⁾	0.27%	0.24%	0.37%
Portfolio turnover rate ⁽⁴⁾	25.39%	32.82%	61.06%
Net asset value per share	\$ 7.45	\$ 8.91	\$ 9.91

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 Share

	April 30 2012	October 31 2011 ⁽¹⁾	October 31 2010 ⁽¹⁾
Net assets, beginning of the period	\$ 8.85	\$ 9.90	\$ -
Increase (decrease) from operations:			
Total revenue	0.03	0.03	0.01
Total expenses	(0.13)	(0.43)	(0.76)
Realized gains (losses) for the period	(0.56)	0.53	0.77
Unrealized gains (losses) for the period	(0.88)	(2.18)	2.75
Total increase (decrease) from operations ⁽²⁾	(1.54)	(2.05)	2.77
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—
Net assets, end of the period	\$ 7.39	\$ 8.85	\$ 9.90

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	126,575	148,345	79,411
Number of shares outstanding ⁽¹⁾	16,999,512	16,664,913	8,023,393
Management expense ratio ⁽²⁾	3.04%	4.21%	9.94%
Management expense ratio before waivers or absorptions	3.04%	4.21%	9.94%
Trading expense ratio ⁽³⁾	0.27%	0.24%	0.37%
Portfolio turnover rate ⁽⁴⁾	25.39%	32.82%	61.06%
Net asset value per share	\$ 7.45	\$ 8.90	\$ 9.90

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 Share

	April 30 2012	October 31 2011 ⁽¹⁾	October 31 2010 ⁽¹⁾
Net assets, beginning of the period	\$ 9.32	\$ 10.32	\$ -
Increase (decrease) from operations:			
Total revenue	0.03	0.03	0.01
Total expenses	(0.09)	(0.37)	(0.56)
Realized gains (losses) for the period	(0.58)	0.57	0.70
Unrealized gains (losses) for the period	(0.93)	(1.73)	2.47
Total increase (decrease) from operations⁽²⁾	(1.57)	(1.50)	2.62
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—
Net assets, end of the period	\$ 7.82	\$ 9.32	\$ 10.32

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	59,461	64,099	47,345
Number of shares outstanding ⁽¹⁾	7,543,490	6,835,684	4,590,213
Management expense ratio ⁽²⁾	2.06%	3.37%	7.15%
Management expense ratio before waivers or absorptions	2.06%	3.37%	7.15%
Trading expense ratio ⁽³⁾	0.27%	0.24%	0.37%
Portfolio turnover rate ⁽⁴⁾	25.39%	32.82%	61.06%
Net asset value per share	\$ 7.88	\$ 9.38	\$ 10.31

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.



Series X

The Fund's Net Assets per Share

	April 30 2012	October 31 2011 ⁽¹⁾	October 31 2010 ⁽¹⁾
Net assets, beginning of the period	\$ 9.05	\$ 10.04	\$ -
Increase (decrease) from operations:			
Total revenue	0.03	0.02	0.01
Total expenses	(0.11)	(0.44)	(0.54)
Realized gains (losses) for the period	(0.62)	0.58	0.66
Unrealized gains (losses) for the period	(0.73)	(0.97)	2.29
Total increase (decrease) from operations ⁽²⁾	(1.43)	(0.81)	2.41
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—
Net assets, end of the period	\$ 7.58	\$ 9.05	\$ 10.04

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	62,868	82,474	115,199
Number of shares outstanding ⁽¹⁾	8,229,707	9,056,325	11,471,008
Management expense ratio ⁽²⁾	2.48%	4.11%	7.19%
Management expense ratio before waivers or absorptions	2.48%	4.11%	7.19%
Trading expense ratio ⁽³⁾	0.27%	0.24%	0.37%
Portfolio turnover rate ⁽⁴⁾	25.39%	32.82%	61.06%
Net asset value per share	\$ 7.64	\$ 9.11	\$ 10.04

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

Series Y
The Fund's Net Assets per Share

	April 30 2012	October 31 2011 ⁽¹⁾	October 31 2010 ⁽¹⁾
Net assets, beginning of the period	\$ 9.09	\$ 10.07	\$ -
Increase (decrease) from operations:			
Total revenue	0.03	0.02	0.01
Total expenses	(0.10)	(0.41)	(0.54)
Realized gains (losses) for the period	(0.61)	0.58	0.65
Unrealized gains (losses) for the period	(0.77)	(1.04)	2.30
Total increase (decrease) from operations ⁽²⁾	(1.45)	(0.85)	2.42
Distributions to Shareholders:			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—
Net assets, end of the period	\$ 7.62	\$ 9.09	\$ 10.07

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements]
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the average number of shares outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional shares of the Fund or both.

Ratios and Supplemental Data

Total net asset value (000's) ⁽¹⁾	117,661	149,128	192,339
Number of shares outstanding ⁽¹⁾	15,323,506	16,299,465	19,100,381
Management expense ratio ⁽²⁾	2.39%	3.90%	7.23%
Management expense ratio before waivers or absorptions	2.39%	3.90%	7.23%
Trading expense ratio ⁽³⁾	0.27%	0.24%	0.37%
Portfolio turnover rate ⁽⁴⁾	25.39%	32.82%	61.06%
Net asset value per share	\$ 7.68	\$ 9.15	\$ 10.07

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (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 period.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessary a relationship between a high turnover rate and the performance of a fund.

Management and Performance Fees

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

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the S&P/TSX Composite Index (the "Benchmark") over the same year. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous quarter. The starting reference point for the next quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

Dealer Compensation

Brokers, dealers and advisors may be paid a "trailer commission" for assets that their sales representatives place in the Series A, Series B, Series X and Series Y Fund securities. The Fund may, at its discretion, negotiate, change the terms and conditions of, or discontinue the trailer commission with brokers, dealers and advisors.

The trailer commission is calculated as a percentage of assets each broker, dealer or advisor has placed in the Fund series. The trailer commission is calculated based on the closing balance of client accounts for each calendar month. The trailer commission will not be paid if the assets are removed from the Funds. Trailer commissions are paid quarterly at rates set within ranges according to the following table.

Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00
Y	1.00%	\$10.00

Past Performance

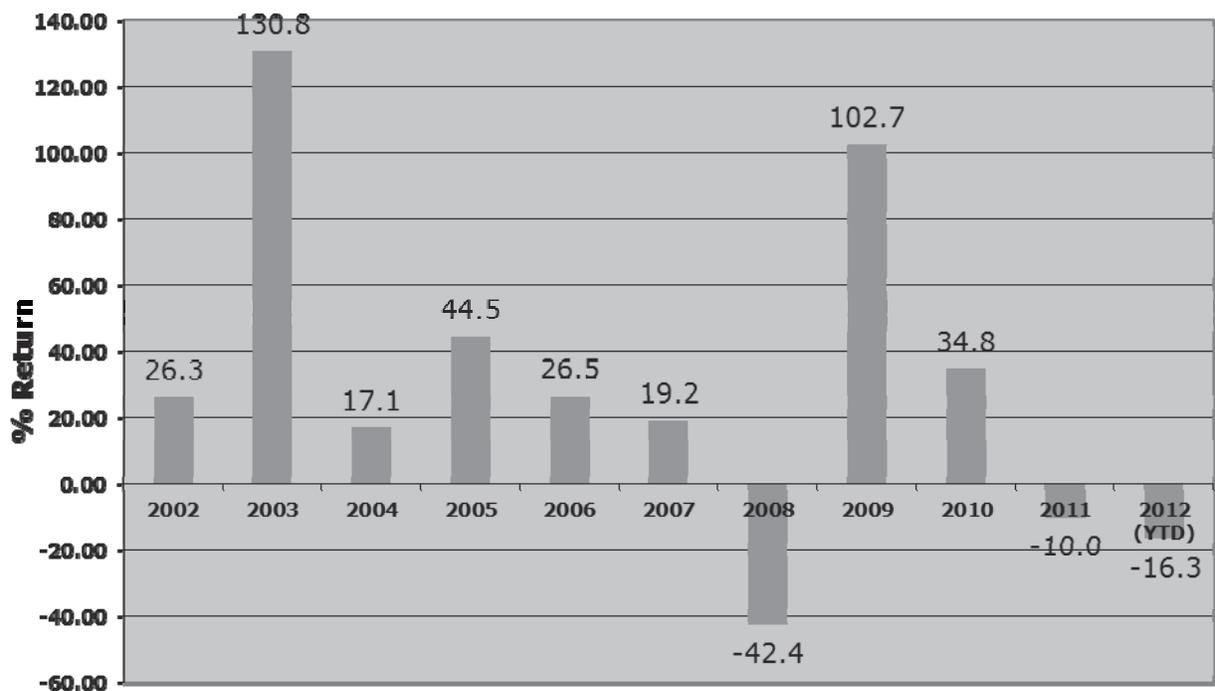
The past performance of the Fund is set out below and includes year-by-year returns. With respect to the charts displayed below, please note the following:

- (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



SUMMARY OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2012

Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Energy	54.7%
Materials	29.8%
Australia	5.8%
United States	3.0%
Cayman Islands	1.9%
Cash and Cash equivalents	1.4%
Brazil	1.3%
Corporate Bonds	0.6%
Industrials	0.1%
SHORT POSITIONS	
Energy	-0.1%
OTHERS	1.5%
	<hr/> 100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
Spartan Oil Corporation	7.3%
Lundin Mining Corporation	6.4%
Rubicon Minerals Corporation	5.0%
Twin Butte Energy Limited	4.9%
Perseus Mining Limited	4.8%
Crew Energy Inc.	4.1%
Parex Resources Inc.	3.8%
Augusta Resource Corporation	3.8%
Wildcat Silver Corporation	3.6%
C&C Energia Limited	3.3%
Madalena Ventures Inc.	3.0%
Dalradian Resources Inc.	2.9%
Whitecap Resources Inc.	2.8%
Athabasca Oil Sands Corporation	2.5%
P1 Energy Corporation	2.5%
Torex Gold Resources Inc.	2.5%
Laricina Energy Limited	2.2%
Gran Colombia Gold Corporation	2.1%
TriOil Resources Limited 'A'	2.1%
Second Wave Petroleum Inc.	2.0%
Americas Petrogas Inc.	2.0%
Celtic Exploration Limited	1.9%
Greenfields Petroleum Corporation	1.9%
Canadian International Oil Corporation	1.6%
Griffiths Energy International Inc.	1.6%
	<hr/> 80.6%
TOTAL TRANSACTIONAL NET ASSET VALUE (000)	\$465,778

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



FRONT STREET

Special Opportunities Canadian Fund

INTERIM FINANCIAL STATEMENTS

FRONT STREET SPECIAL OPPORTUNITIES

CANADIAN FUND

FOR THE SIX MONTHS ENDED APRIL 30, 2012

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund in accordance with standards established by the Canadian Institute of Chartered Accountants. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**STATEMENTS OF NET ASSETS
AS AT APRIL 30, 2012 (UNAUDITED) AND OCTOBER 31, 2011 (AUDITED)**

	2012 (Unaudited)	2011 (Audited)
ASSETS		
Investments, at fair value (cost - \$487,010,047; 2010 - \$501,306,356)	\$ 449,215,994	\$ 514,757,769
Cash and cash equivalents	6,421,272	33,179,271
Accounts receivable relating to shares issued	894,519	3,406,355
Accounts receivable relating to portfolio assets sold	13,374,456	3,204,520
Accounts receivable relating to accrued income	172,210	54,555
	<u>\$ 470,078,451</u>	<u>\$ 554,602,470</u>
LIABILITIES		
Liabilities for portfolio assets purchased	\$ 4,357,300	\$ 10,384,353
Obligations from portfolio assets sold short, at fair value	479,950	1,412,800
Accrued expenses	1,421,641	1,410,910
Accounts payable relating to shares redeemed	1,603,042	1,669,103
	<u>7,861,933</u>	<u>14,877,166</u>
Net assets representing shareholders' equity	<u>\$ 462,216,518</u>	<u>\$ 539,725,304</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 98,454,465	\$ 98,444,113
Shares outstanding, Series A, note 3	13,316,506	11,120,549
Net assets per share, Series A	<u>7.39</u>	<u>8.85</u>
Net assets, Series B	\$ 125,606,190	\$ 147,421,944
Shares outstanding, Series B, note 3	16,999,512	16,664,913
Net assets per share, Series B	<u>7.39</u>	<u>8.85</u>
Net assets, Series F	\$ 59,006,949	\$ 63,701,309
Shares outstanding, Series F, note 3	7,543,490	6,835,684
Net assets per share, Series F	<u>7.82</u>	<u>9.32</u>
Net assets, Series X	\$ 62,387,164	\$ 81,959,537
Shares outstanding, Series X, note 3	8,229,707	9,056,325
Net assets per share, Series X	<u>7.58</u>	<u>9.05</u>
Net assets, Series Y	\$ 116,761,750	\$ 148,198,401
Shares outstanding, Series Y, note 3	15,323,506	16,299,465
Net assets per share, Series Y	<u>7.62</u>	<u>9.09</u>

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



Gary P. Selke
Chief Executive Officer and Director



Susan Johnson
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**STATEMENT OF OPERATIONS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Investment income		
Interest	\$ 1,051,155	\$ 419,891
Dividends	667,547	40,496
	<u>1,718,702</u>	<u>460,387</u>
Expenses		
Management fees, notes 4 and 7	3,999,051	4,548,549
Servicing fees, notes 4 and 7	2,038,435	2,441,509
Administration fees	640,023	414,569
Operating costs, notes 4 and 7	102,087	69,919
Custodial fees	50,722	43,531
Legal fees	44,754	25,097
Securityholder reporting costs	39,782	100,519
Audit fees	27,349	26,413
Independent review committee	10,742	11,688
Compensatory Dividends	4,954	4,771
Performance fees, notes 4 and 7	—	8,280,992
	<u>6,957,899</u>	<u>15,967,557</u>
Net investment loss for the period	<u>(5,239,197)</u>	<u>(15,507,170)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on sale of investments	(34,382,705)	18,615,194
Transaction costs, notes 6 and 7	(704,479)	(961,006)
Change in the unrealized appreciation (depreciation) of the value of investments	<u>(51,270,880)</u>	<u>51,080,024</u>
Net gains (losses) on investments for the period	<u>(86,358,064)</u>	<u>68,734,212</u>
Net increase (decrease) in the assets from operations for the period	<u>\$ (91,597,261)</u>	<u>\$ 53,227,042</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows		
Increase (decrease) in net assets from operations, Series A	\$ (19,073,295)	\$ 3,827,512
Increase (decrease) in net assets from operations per share, Series A	<u>\$ (1.60)</u>	<u>\$ 0.54</u>
Increase (decrease) in net assets from operations, Series B	\$ (25,672,345)	\$ 6,678,414
Increase (decrease) in net assets from operations per share, Series B	<u>\$ (1.54)</u>	<u>\$ 0.55</u>
Increase (decrease) in net assets from operations, Series F	\$ (11,360,822)	\$ 5,380,780
Increase (decrease) in net assets from operations per share, Series F	<u>\$ (1.57)</u>	<u>\$ 0.98</u>
Increase (decrease) in net assets from operations, Series X	\$ (12,535,017)	\$ 14,055,751
Increase (decrease) in net assets from operations per share, Series X	<u>\$ (1.43)</u>	<u>\$ 1.27</u>
Increase (decrease) in net assets from operations, Series Y	\$ (22,955,782)	\$ 23,284,585
Increase (decrease) in net assets from operations per share, Series Y	<u>\$ (1.45)</u>	<u>\$ 1.26</u>

See accompanying notes to the financial statements

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series A		
Net assets, beginning of period	\$ 98,444,113	\$ 45,439,740
Net increase (decrease) in net assets from operations	(19,073,295)	3,827,512
Shareholder transactions		
Proceeds from the issuance of shares	24,749,617	61,933,554
Aggregate amounts paid on the redemption of shares	(5,665,970)	(3,278,862)
	19,083,647	58,654,692
Net increase in net assets for the period	10,352	62,482,204
Net assets, end of period	\$ 98,454,465	\$ 107,921,944
Series B		
Net assets, beginning of period	\$ 147,421,944	\$ 79,427,491
Net increase (decrease) in net assets from operations	(25,672,345)	6,678,414
Shareholder transactions		
Proceeds from the issuance of shares	28,769,719	108,609,807
Aggregate amounts paid on the redemption of shares	(24,913,128)	(16,672,151)
	3,856,591	91,937,656
Net increase in net assets for the period	(21,815,754)	98,616,070
Net assets, end of period	\$ 125,606,190	\$ 178,043,561

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series F		
Net assets, beginning of period	\$ 63,701,309	\$ 47,354,887
Net increase (decrease) in net assets from operations	(11,360,822)	5,380,780
Shareholder transactions		
Proceeds from the issuance of shares	13,264,815	24,804,313
Aggregate amounts paid on the redemption of shares	(6,598,353)	(4,223,081)
	<u>6,666,462</u>	<u>20,581,232</u>
Net increase in net assets for the period	(4,694,360)	25,962,012
Net assets, end of period	<u>\$ 59,006,949</u>	<u>\$ 73,316,899</u>
Series X		
Net assets, beginning of period	\$ 81,959,537	\$ 115,222,848
Net increase (decrease) in net assets from operations	(12,535,017)	14,055,751
Shareholder transactions		
Proceeds from the issuance of shares	3,008,163	680,361
Aggregate amounts paid on the redemption of shares	(10,045,519)	(10,980,418)
	<u>(7,037,356)</u>	<u>(10,300,057)</u>
Net increase (decrease) in net assets for the period	(19,572,373)	3,755,694
Net assets, end of period	<u>\$ 62,387,164</u>	<u>\$ 118,978,542</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIODS ENDED APRIL 30, 2012 AND 2011
(UNAUDITED)**

	November 1, 2011 to April 30, 2012 (Unaudited)	November 1, 2010 to April 30, 2011 (Unaudited)
Series Y		
Net assets, beginning of period	\$ 148,198,401	\$ 192,378,579
Net increase (decrease) in net assets from operations	(22,955,782)	23,284,585
Shareholder transactions		
Proceeds from the issuance of shares	—	—
Aggregate amounts paid on the redemption of shares	(8,480,869)	(14,123,652)
	(8,480,869)	(14,123,652)
Net increase (decrease) in net assets for the period	(31,436,651)	9,160,933
Net assets, end of period	\$ 116,761,750	\$ 201,539,512
Total		
Net assets, beginning of period	\$ 539,725,304	\$ 479,823,545
Net increase (decrease) in net assets from operations	(91,597,261)	53,227,042
Shareholder transactions		
Proceeds from the issuance of shares	69,792,314	196,028,035
Aggregate amounts paid on the redemption of shares	(55,703,839)	(49,278,164)
	14,088,475	146,749,871
Net increase in net assets for the period	(77,508,786)	199,976,913
Net assets, end of period	\$ 462,216,518	\$ 679,800,458

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Long Positions			
Corporate Bonds (0.6%)			
ColCan Energy Corporation 6.00% Debentures August 1, 2013	3,000,000	3,000,000	3,000,000
Energy (55.0%)			
Americas Petrogas Inc.	1,500,000	5,280,404	4,065,000
Americas Petrogas Inc. Restricted	2,000,000	7,000,000	5,203,200
Arcan Resources Limited	250,000	861,858	882,500
Athabasca Oil Sands Corporation	1,005,000	10,931,413	11,587,650
Athabasca Oil Sands Corporation Warrants November 9, 2012	58,990	-	182,051
Athabasca Oil Sands Corporation Warrants November 9, 2012	7,808	1,125	20,495
C&C Energia Limited	2,086,308	16,247,520	15,355,227
C3 Resources Inc. Restricted	500,000	112,500	112,500
Canadian International Oil Corporation Restricted	2,127,219	3,190,829	5,849,852
Canadian International Oil Corporation Warrants August 25, 2015	2,382,219	336,600	1,786,664
CanElsion Drilling Inc.	99,599	300,052	463,135
Celtic Exploration Limited	621,800	7,240,916	8,997,446
Colcan Energy Corporation	10,006,998	3,502,099	3,002,099
ColCan Energy Corporation Warrants August 2, 2013	1,250,000	-	1
Colcan Energy Corporation Warrants March 9, 2013	2,499,999	-	3
Crew Energy Inc.	2,745,828	39,886,148	19,165,879
Crocotta Energy Inc.	1,453,533	4,279,418	3,430,338
Crown Point Ventures Limited	1,880,426	2,881,660	1,410,320
Cub Energy Inc.	3,058,500	1,252,721	1,223,400
Griffiths Energy International Inc.	935,000	4,250,000	5,610,000
Griffiths Energy International Restricted	333,334	2,000,004	2,000,004
Hawk Exploration Limited 'A'	1,329,191	1,063,828	332,298
IROC Energy Services Corporation	1,715,500	3,817,882	3,945,650
Laricina Energy Limited Private Placement	335,000	5,192,500	10,050,000
Madalena Ventures Inc.	26,123,817	7,133,521	13,584,385
Midway Energy Limited Warrants February 15, 2013	240,000	-	160,295
New Zealand Energy Corporation	1,380,000	4,176,595	3,974,400
P1 Energy Corporation Private Placement	9,786,422	25,859,904	11,743,706
Parex Resources Inc.	3,307,980	16,703,187	17,730,773
Petroamerica Oil Corporation Warrants November 4, 2014	5,600,000	6	123,396
Petroamerica Oil Corporation Warrants October 8, 2014	9,200,000	9	552,000
Primary Petroleum Corporation	4,208,500	3,030,120	1,977,995
Second Wave Petroleum Inc.	3,264,800	7,054,341	9,533,216
Spartan Oil Corporation	8,072,964	24,095,639	33,906,449
Sure Energy Inc.	2,590,000	3,885,000	2,331,000
Trinidad Drilling Limited	504,958	2,863,814	3,231,731
TriOil Resources Limited 'A'	3,409,105	11,601,957	9,647,767
Twin Butte Energy Limited	8,346,600	19,869,968	22,786,218
Valeura Energy Inc. Warrants February 28, 2016	3,077,500	-	189,115
Whitecap Resources Inc.	1,449,643	12,713,373	12,814,848
Xtreme Drilling and Coil Services Corporation	1,635,581	5,242,037	5,021,234
		<u>\$ 263,858,948</u>	<u>\$ 253,984,240</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Materials (29.4%)			
Augusta Resource Corporation	7,024,519	13,909,865	17,420,807
Calston Exploration Inc. Restricted	18,260,868	4,565,217	4,200,000
Calston Exploration Inc. Warrants June 17, 2013	9,130,434	-	9
Dalradian Resources Inc.	10,009,671	12,118,437	12,311,895
Edgewater Exploration Limited	420,208	357,246	165,982
E-Energy Ventures Inc.	3,285,000	139,613	49,275
Entree Gold Inc.	3,977,698	10,146,709	4,176,583
Golden Predator Corporation	4,425,000	3,247,202	2,256,750
Gran Colombia Gold Corporation	21,570,699	23,263,669	9,598,961
Lundin Mining Corporation	6,203,356	29,773,732	29,776,109
PMI Gold Corporation	2,000,000	2,596,060	1,840,000
Portage Minerals Inc.	162,883	37,463	4,886
Riva Gold Corporation	319,981	330,120	87,995
Rubicon Minerals Corporation	7,784,189	31,019,903	23,352,567
Solfotara Mining Corporation Restricted	2,857,142	1,000,000	914,285
Solfotara Mining Corporation Warrants	1,428,571	1	1
Tolima Gold Inc.	7,500,000	3,625,000	1,800,000
Tolima Gold Inc. Warrants December 8, 2013	1,250,000	-	20,810
Tolima Gold Inc. Warrants December 9, 2013	2,500,000	-	74,485
Torex Gold Resources Inc.	6,660,555	8,102,225	11,322,944
Wildcat Silver Corporation	12,568,471	10,223,843	16,590,382
		<u>\$ 154,456,305</u>	<u>\$ 135,964,726</u>
Industrials (0.1%)			
Trilliant Inc. Restricted	671,939	\$ 403,163	\$ 403,163
Global Equities			
United States (2.1%)			
IronCo LLC Restricted	5,000	4,889,019	4,819,194
Mitra Energy Limited	780,000	2,278,465	2,814,409
Pacific Infrastructure Inc. Restricted	2,000,000	2,041,108	1,779,395
		<u>\$ 9,208,592</u>	<u>\$ 9,412,998</u>
Corporate Bonds (1.0%)			
Trayectoria Oil and Gas SA Loan Agreement 25.00% October 31, 2012	4,850,000	\$ 4,960,115	\$ 4,794,480
Australia (5.8%)			
Perseus Mining Limited	8,416,340	17,770,965	22,441,484
Mirabela Nickel Limited	9,076,387	18,671,456	4,447,430
		<u>\$ 36,442,421</u>	<u>\$ 26,888,914</u>
Brazil (1.4%)			
HRT Participacoes em Petroleo SA	17,710	2,639,378	5,054,986
HRT Participacoes em Petroleo SA Warrants December 7, 2013	8,850	-	1,299,782
		<u>\$ 2,639,378</u>	<u>\$ 6,354,768</u>
Cayman Islands (1.8%)			
Greenfields Petroleum Corporation	1,413,900	12,041,125	8,412,705
Total Long Positions		<u>\$ 487,010,047</u>	<u>\$ 449,215,994</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND
STATEMENT OF INVESTMENT PORTFOLIO
AS AT APRIL 30, 2012 (UNAUDITED)

	Number of Shares/ Par Value/ Units	Cost \$	Fair Value \$
Short Positions			
Energy (-0.1%)			
iShares S&P/TSX Capped Energy Fund	(29,000)	<u>(533,020)</u>	<u>(479,950)</u>
Total Short Positions		<u>\$ (533,020)</u>	<u>\$ (479,950)</u>
Transaction costs, note 2		<u>\$ (1,145,353)</u>	<u>-</u>
Total Investments (97.1%)		<u>\$ 485,331,674</u>	<u>448,736,044</u>
Cash and cash equivalents (1.4%)			<u>6,421,272</u>
Other assets less other liabilities (1.5%)			<u>7,059,202</u>
Net assets (100.0%)			<u>\$ 462,216,518</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

1. THE FUND

Front Street Special Opportunities Canadian Fund (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 2012.

The Fund is managed by Front Street Capital 2004 (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. RBC Dexia Investor Services Trust is the custodian. Citigroup Fund Services Canada, Inc. provides shareholder recordkeeping services and fund accounting services.

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

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following is a summary of the significant accounting policies followed by the Fund:

a) Financial instruments

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

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 8) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

b) Valuation of investments

i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of the securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (continued...)

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) above less a discount of 2% per month up to four months.

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

- iii) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.
- iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of the trading on the financial statement date.
- v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.
- vi) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

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

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation. These standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 9 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments - Disclosures. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See note 11 for additional details.

d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

e) Cash and cash equivalents

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

f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Gains and losses from such transactions are calculated using the weighted average cost of the securities on disposition.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

h) Net increase (decrease) in net assets from operations per share

Net increase (decrease) in net assets from operations per share are based on the increase (decrease) in net assets from operations attributable to each series of shares divided by the average number of shares outstanding of that series during the year.

i) Net assets per share

The net assets per share are calculated by dividing the net assets of a series of shares by the total number of shares of the series outstanding at the end of the year.

j) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 10 for additional details.

k) General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Manager of the Fund has made this assessment and concluded that there are currently no material uncertainties that cast doubt on the Fund's ability to continue as a going concern.

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant estimates include the fair value of the Fund's investments in private companies and the fair value of the Fund's investments in corporate warrants which are not traded in active markets. Actual results may differ from those estimates.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) Future accounting pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2014, 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 on the implementation as new IFRS guidance become available from the International Accounting Standards Board ("IASB").

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 the following areas of differences have been identified:

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, requires shareholders' equity to be classified as liability unless certain criteria are met.
- (b) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments.

At October 31, 2011, the IASB has published an exposure draft for comment addressing specific issues relating to Investment Companies and Funds.

The Manager is monitoring these developments and will assess the impact of any changes in accounting policies or financial statement presentation as necessary to determine an appropriate approach.

The anticipated 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 current analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

3. SHARES ISSUED AND OUTSTANDING

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

Series A shares

Redemption fees payable to the Manager may be applicable upon the sale of shares of this series based on the original cost amount and the time to disposition. A redemption fee of 3% applies to shares of this series sold within the first 18 months following acquisition. A redemption fee of 2% applies to shares of this series sold between the first 18 months to 36 months following acquisition. No redemption fee applies to shares of this series sold after the third year following acquisition.

Series B shares

Commission fees payable to brokers, dealers or advisors may be applicable upon the purchase of shares of this series up to 5% of the gross purchase amount, at the discretion of the broker, dealer or advisor.

Series F shares

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

Series X shares

Redemption fees payable to the Manager may be applicable upon the sale of shares of this series based on the original cost amount and the time to disposition. A redemption fee of 5% applies to shares of this series sold within the first year following acquisition. A redemption fee of 3% applies to shares of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to shares of this series sold within the third year following acquisition. No redemption fee applies to shares of this series sold after the third year following acquisition.

Series Y shares

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

The Fund allocates income and expenses, and realized and unrealized capital gains and losses to each class of shares outstanding based on the average class allocation for the period.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

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

The following share transactions took place during the period:

	November 1, 2011 to to April 30, 2012	November 1, 2010 April 30, 2011
Shares outstanding, beginning of the period:		
Series A	11,120,549	4,585,825
Series B	16,664,913	8023,393
Series F	6,835,684	4,590,213
Series X	9,056,325	11,471,008
Series Y	16,299,465	19,100,381
Shares issued during the period:		
Series A	2,872,064	5,485,408
Series B	3,312,273	9,618,783
Series F	1,460,520	2,111,367
Series X	323,083	59,750
Series Y	75	-
Shares redeemed during the period:		
Series A	676,107	290,643
Series B	2,977,674	1,496,784
Series F	752,714	357,865
Series X	1,149,701	955,769
Series Y	976,034	1,241,550
Shares outstanding, end of the period:		
Series A	13,316,506	9,780,590
Series B	16,999,512	16,145,392
Series F	7,543,490	6,343,715
Series X	8,229,707	10,574,989
Series Y	15,323,506	17,858,831

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

4. MANAGEMENT AND PERFORMANCE FEES

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

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

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to shareholders. As the Fund has more than one series of shares, the shareholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund.

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the S&P/TSX Composite Index (the "Benchmark") over the same year. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous quarter. The starting reference point for the next quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

5. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to income tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign-source income. Income tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's share are redeemed. Gains and losses realized by the Fund in relation to certain derivative transactions and short sale transactions may be taxed on account of income as opposed to on account of capital. Other income is subject to tax at normal corporate rates and is not subject to refundable tax treatment.

The Fund may elect in the prescribed manner and form in order to have the dividends it distributes treated as capital gains dividends to the extent that the dividends do not exceed the Fund's capital gains dividend account. The capital gains dividend account will be represented by the amount by which capital gains realized by the Fund while it was a mutual fund corporation exceed the aggregate of:

- (a) capital losses realized by the Fund while it was a mutual fund corporation;
- (b) certain capital gains dividends previously paid by it; and
- (c) amounts in respect of which the Fund received capital gains tax refunds.

The Fund anticipates that gains and losses realized on the disposition of investments will normally give rise to capital gains not ordinary income. The Fund intends to declare sufficient capital gains dividends so that it is entitled to a refund of the full amount of tax paid or payable on their capital gains. The suspended loss rules in the Income Tax Act (Canada) may prevent the Fund from recognizing capital losses on the disposition of securities in certain circumstances, which may increase the amount of capital gains dividends that the Fund must pay to Fund shareholders.

If allowable capital losses exceed taxable capital gains of the Fund in any taxation year, the excess cannot be allocated to shareholders, but may be carried back three years and carried forward indefinitely and be applied against taxable capital gains in such previous or subsequent years.

The Fund will allocate taxes payable and recoverable of the Fund to each of the classes. The Fund can pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends or capital gains taxes. The Fund intends to pay out such dividends so as to maximize tax refunds and minimize taxes payable at the corporate level.

The Fund may be subject to provincial capital taxes.

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

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended April 30, 2012 was \$704,479 (2011 - \$961,006).

7. RELATED PARTY TRANSACTIONS

Management fees of \$3,999,051 (April 30, 2011 - \$4,548,549) were paid to the Manager during the period (see note 4). Servicing fees of \$2,038,435 (April 30, 2011 - \$2,441,509) were paid to the Manager during the period (see note 4). Operating costs of \$102,087 (April 30, 2011 - \$69,919) were paid to the Manager during the period (see note 4). Performance fees of \$Nil (April 30, 2011 - \$8,280,992) were incurred with the Manager during the period (see note 4). Included in accrued expenses is \$600,627 (October 31, 2011 - \$655,940) of management fees payable to the Manager. Included in accrued expenses are \$313,016 (October 31, 2011 - \$343,167) of accrued servicing fees payable to the Manager. Included in accrued expenses are \$62,157 (October 31, 2011 - \$7,986) of accrued operating costs payable to the Manager.

39,536.12 (October 31, 2011 - 39,536.12) of series F shares outstanding at period end representing 0.52% (October 31, 2011 - 0.58%) of the total series F shares of the Fund are held by the Partners of the Manager. 22,919.09 (October 31, 2011 - 27,991.81) of series F shares outstanding at period end representing 0.30% (October 31, 2011 - 0.41%) of the total series F shares of the Fund are held by relatives of the Partners of the Manager.

1,826,888.31 (October 31, 2011 - 1,826,888.31) of series Y shares outstanding at period end representing 11.99% (October 31, 2011 - 11.21%) of the total series Y shares of the Fund are held by the Partners of the Manager. 1,730,700.36 (October 31, 2011 - 1,746,175.32) of series Y shares outstanding at period end representing 11.36% (October 31, 2011 - 10.71%) of the total series Y shares of the Fund are held by relatives of the Partners of the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non affiliated, qualified brokerage firms, on an execution-only basis. During the period ended April 30, 2012, Tuscarora Capital Inc., a company under common control to the Manager, received \$6,215 (April 30, 2011 - \$35,885) in commissions on portfolio transactions for the Fund.

Management fees, servicing fees, operating costs and performance fees are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter shareholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other shareholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2012 AND 2011

(UNAUDITED)

8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS FOR FINANCIAL STATEMENTS

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2012

	Transactional NAV	Net Asset Value		GAAP NA	Net Asset Value per Share	
		Section 3855 Adjustment			Transactional NAV	GAAP NA
Series A	\$ 99,212,745	\$ (758,280)	\$	98,454,465	\$ 7.45	\$ 7.39
Series B	126,575,122	(968,932)		125,606,190	7.45	7.39
Series F	59,460,807	(453,858)		59,006,949	7.88	7.82
Series X	62,867,567	(480,403)		62,387,164	7.64	7.58
Series Y	117,661,324	(899,574)		116,761,750	7.68	7.62
Total Net Asset Value	\$ 465,777,565	\$ (3,561,047)	\$	462,216,518		

As at October 31, 2011

	Transactional NAV	Net Asset Value		GAAP NA	Net Asset Value per Share	
		Section 3855 Adjustment			Transactional NAV	GAAP NA
Series A	\$ 99,060,906	\$ (616,793)	\$	98,444,113	\$ 8.91	\$ 8.85
Series B	148,345,083	(923,139)		147,421,944	8.90	8.85
Series F	64,099,138	(397,829)		63,701,309	9.38	9.32
Series X	82,474,461	(514,924)		81,959,537	9.11	9.05
Series Y	149,127,505	(929,104)		148,198,401	9.15	9.09
Total Net Asset Value	\$ 543,107,093	\$ (3,381,789)	\$	539,725,304		

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS

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

	As at April 30, 2012 (Unaudited)	As at October 31, 2011 (Audited)
Assets		
Held for trading	\$ 449,215,994	\$ 514,757,769
Cash and cash equivalents	6,421,272	33,179,271
Loans and receivables	<u>14,441,185</u>	<u>6,665,430</u>
Total Assets	<u>470,078,451</u>	<u>554,602,470</u>
Liabilities		
Held for trading	479,950	1,412,800
Other financial liabilities at amortized cost	<u>7,381,983</u>	<u>13,464,366</u>
Total liabilities	<u>7,861,933</u>	<u>14,877,166</u>
Net Assets	<u>\$ 462,216,518</u>	<u>\$ 539,725,304</u>

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to shares issued, accounts receivable relating to portfolio assets sold, amounts receivable relating to accrued income, liabilities for portfolio assets purchased, accounts payable relating to shares redeemed, obligations from portfolio assets sold short, at fair value, accrued expenses and performance fees payable. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Risk Management

The Investment Advisor seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at April 30, 2012, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from its investments in securities. The Investment Advisor manages the Fund's market price risk on a daily basis in accordance with the Fund's investment objective and policies.

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

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

Currency	Investments, at fair value	Cash	Foreign exchange contracts	Total	Percentage of GAAP NA
Australian Dollar	\$ 12,154,733	\$ -	\$ -	\$ 12,154,733	2.63%
Brazilian Real	6,354,768	-	-	6,354,768	1.37%
United States Dollar	<u>19,029,920</u>	<u>322,512</u>	<u>-</u>	<u>19,352,432</u>	<u>4.19%</u>
	<u>\$ 37,539,421</u>	<u>\$ 322,512</u>	<u>\$ -</u>	<u>\$ 37,861,933</u>	<u>8.19%</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at April 30, 2012, there were 1.6% (October 31, 2011 – 0.6%) of the net assets owned which are held in bonds. There were short-term investments representing Nil% (October 31, 2011 – 2.8%) of the net assets owned, all maturing in less than 30 days. The remaining portion of the Fund's investments are substantially in non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Held for trading	\$ -	\$ 7,794,480	\$ 441,421,514	\$ 449,215,994
Other receivables	-	-	14,441,185	14,445,185
Cash and cash equivalents	-	-	<u>6,421,272</u>	<u>6,421,272</u>
Total	<u>\$ -</u>	<u>\$ 7,794,480</u>	<u>\$ 461,804,021</u>	<u>\$ 470,078,451</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 479,950	\$ 479,950
Other financial liabilities	-	-	<u>7,381,983</u>	<u>7,381,983</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,861,933</u>	<u>\$ 7,861,933</u>
GAAP NA				<u>\$ 462,216,518</u>

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Shareholder redemption requests are the main liquidity risk for the Fund.

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions.

	0-12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 4,794,480	\$ 3,000,000	\$ -	\$ -	\$ 441,421,514	\$ 449,215,994
Other receivables	14,441,185	-	-	-	-	14,441,185
Cash and cash equivalents	<u>6,421,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,421,272</u>
Total	<u>\$ 25,656,937</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,421,514</u>	<u>\$ 470,078,451</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 479,950	\$ 479,950
Other financial liabilities	<u>7,381,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,381,983</u>
Total	<u>\$ 7,381,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,950</u>	<u>\$ 7,861,933</u>
GAAP NA						<u>\$ 462,216,518</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2012, the fair value of such assets was 13.6% (October 31, 2011 – 13.8%) of the total net assets.

v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

9. FINANCIAL INSTRUMENTS (Continued...)

vi) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds, amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund may also invest in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligations when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Net Assets.

As at April 30, 2012, the Fund had 1.6% (October 31, 2011 – 0.6%) of holdings in long term debt instruments on which credit ratings are not available.

10. CAPITAL MANAGEMENT

The Manager considers the Fund's capital to consist of the issued ordinary share capital and the net assets attributable to participating shareholders.

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged since October 31, 2011.

The Fund does not have any externally imposed capital requirements.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2012 AND 2011 (UNAUDITED)

11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of April 30, 2012 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

	Quoted price in active market for identical assets	Significant other observable inputs	Significant unobservable inputs	
Assets at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Investments, at fair value	\$ 379,062,599	\$ 7,273,629	\$ 62,879,766	\$ 449,215,994
Liabilities at fair value as at April 30, 2012	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	\$ 479,950	\$ -	\$ -	\$ 479,950

During the period ended April 30, 2012 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Fair value measurement Equities - long	Investments, at fair value Bonds
Beginning balance as at November 1, 2011	\$ 71,287,489	\$ 3,000,000
Purchases	3,502,104	-
Sales	-	(148,579)
Transfer in	-	5,113,521
Transfers out	(7,113,520)	-
Gain (losses)		
Realized	-	(4,827)
Unrealized	(12,590,787)	(165,635)
Balance at April 30, 2012	\$ 55,085,286	\$ 7,794,480



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