

SPECIAL OPPORTUNITIES FUND LTD.

Financial Statements

October 31, 2002 and 2001

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ELLIS FOSTER

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of

SPECIAL OPPORTUNITIES FUND LTD.

We have audited the accompanying statement of net assets of **Special Opportunities Fund Ltd.** as at October 31, 2002 and 2001, the statements of retained earnings, operations and changes in net assets for the years then ended, the statement of portfolio investments as at October 31, 2002 and the statement of financial highlights for each of the years in the five-year period ended October 31, 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2002 and 2001, the results of its operations and the changes in its net assets for the years then ended, the portfolio investments as at October 31, 2002 and the financial highlights for each of the years in the five-year period ended October 31, 2002, in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
December 13, 2002

"ELLIS FOSTER"
Chartered Accountants



A partnership of incorporated professionals

*An independently owned and operated member of Moore Stephens North America Inc., a member of Moore Stephens International Limited
- members in principal cities throughout the world*

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Net Assets
October 31, 2002 and 2001

	2002	2001
ASSETS		
Investments , at current value (cost - \$10,413,016; 2001 - \$5,382,308)	\$ 9,892,097	\$ 3,921,018
Cash	716,550	73,581
Due from brokers	-	223,725
	10,608,647	4,218,324
LIABILITIES		
Accounts payable and accrued liabilities	36,071	35,018
Due to broker	494,379	-
	530,450	35,018
Net assets representing shareholders' equity	\$ 10,078,197	\$ 4,183,306
Shareholders' equity represented by:		
Share capital	\$ 10,101,530	\$ 4,531,291
Retained earnings	497,586	1,113,305
Unrealized depreciation of investments	(520,919)	(1,461,290)
Total representing net assets applicable to outstanding shares	\$ 10,078,197	\$ 4,183,306
Number of shares outstanding (note 4)	7,144,686	3,053,308
Net asset value per share	\$ 1.41	\$ 1.37

Approved by the Board: "Gary Selke"
Gary Selke
Director

 "David Conway"
David Conway
Director

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Retained Earnings
Years Ended October 31, 2002 and 2001

	2002	2001
Retained earnings , beginning of year	\$ 1,113,305	\$ 1,499,392
Loss for the year	(232,754)	(705,135)
Realized (loss) gain on sale of investments (note 6)	(382,965)	1,305,977
Capital gains dividends declared and paid	-	(986,929)
Retained earnings , end of year	\$ 497,586	\$ 1,113,305

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Operations
Years Ended October 31, 2002 and 2001

	2002	2001
Investment income		
Interest	\$ 498	\$ 1,953
Dividends and other	7,168	11,456
	7,666	13,409
Expenses		
Activity fees	25,911	17,502
GST	15,571	12,792
Management fees (notes 5 & 9)	97,176	95,183
Other expenses	22,960	16,327
Performance fees (notes 5 & 9)	-	519,191
Professional fees	76,413	53,730
	238,031	714,725
Investment loss before income taxes	(230,365)	(701,316)
Income taxes	2,389	3,819
Net investment loss for the year	(232,754)	(705,135)
Realized and unrealized gain on investments		
Net realized (loss) gain on investments (note 6)	(382,965)	1,305,977
Change in unrealized appreciation (depreciation) of value of investments	940,371	(531,743)
Net gain on investments for the year	557,406	774,234
Increase in net assets from operations for the year	\$ 324,652	\$ 69,099

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Changes in Net Assets
Years Ended October 31, 2002 and 2001

	2002	2001
Increase in net assets resulting from operations	\$ 324,652	\$ 69,099
Distributions to investors		
Capital gains dividends declared and paid	-	(986,929)
Capital unit transactions		
Issuance of shares	6,158,626	1,015,828
Redemption of shares	(588,387)	(526,365)
	5,570,239	489,463
Increase (decrease) in net assets for the year	5,894,891	(428,367)
Net assets, beginning of year	4,183,306	4,611,673
Net assets, end of year	\$ 10,078,197	\$ 4,183,306

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Portfolio Investments
October 31, 2002

	Quantity	Cost	Current value
ACCLAIM ENERGY (TRUST UNITS)	39,150	\$ 163,010	\$ 161,298
ALTAGAS SERVICES INC.	70,000	610,628	630,000
ARIANE GOLD CORP.	55,000	30,950	33,550
BEARTOOTH PLATINUM CORP.	176,471	150,000	33,529
BEMA GOLD CORP (WARRANTS)	50,000	-	-
BEMA GOLD CORP.	159,000	237,020	255,990
BIONICHE LIFE SCIENCES INC.	46,000	140,314	75,440
BONAVISTA PETROLEUM INC	13,900	396,695	417,000
CANADIAN 88 ENERGY CORP.	52,400	113,288	120,520
CASE RESOURCES INC.	500,000	100,000	330,000
CHARIOT RESOURCES LTD.	2,000	160	170
COMPTON PETROLEUM CORP.	189,000	718,059	856,170
CORETEC INC.	18,300	29,280	39,803
CRESCENT POINT ENERGY LTD.	25,000	79,375	83,750
DENSTONE VENTURES LTD. (WARRANTS)	400,000	-	-
DUVERNAY OIL CORP.	76,000	266,000	266,000
EQUATORIAL ENERGY INC.	327,500	731,563	720,500
FORTE OIL CORP.	392,000	392,025	392,000
GAUNTLET ENERGY CORP.	25,000	131,750	130,000
GENESYS S.A.	959	3,798	3,337
IDAHO CONS METALS CORP (WARRANTS)	88,235	-	-
INDIAN MOTORCYCLE COMPANY	2,000	253,653	50,000
KETCH RESOURCES LTD.	23,658	55,100	63,877
LIONORE MINING INTERNATIONAL LTD.	228,500	796,085	952,845
MAJOR DRILLING GROUP INTERNATIONAL INC.	105,000	298,950	294,000
MAXIM POWER CORP.	651,000	236,364	143,220
MINEGEM INC.	753,683	38,640	45,221
MOMENTUM ENTERPRISES LTD. (SPECIAL WARRANTS)	100,000	40,000	39,008
NAVIGO ENERGY INC.	38,500	98,125	100,100
NORTHERN FINANCIAL CORP.	3,500	88	105
NORTHERN ORION EXPLS LTD.	1,500,000	150,000	67,500
PATENT ENFORCEMENT & ROYALTIES LTD.	235,000	150,425	85,775
PEAK ENERGY SERVICES LTD.	306,400	585,707	582,160
PHOENIX TECHNOLOGY SERVICES LTD.	23,500	51,700	35,250
PROMETIC LIFE SCIENCES INC.	28,400	37,088	44,020
PULSE DATA INC.	135,200	180,472	135,200
QUADRA RESOURCES CORP.	150,000	1,500	4,681
RDM CORP.	491,800	428,359	383,604
RIO NARCEA GOLD MINES INC.	100,000	156,000	148,000
ROYAL STANDARD MINERALS INC.	500	130	153
SAVANNA ENERGY SERVICES CORP.	36,000	108,000	108,000
SENTRA RESOURCES CO. (SPECIAL WARRANTS)	10,000	25,000	25,000
SOHO RESOURCES CORP.	507,929	40,722	50,793
STORM ENERGY LTD.	91,500	499,950	539,850
TAN RANGE EXPLORATION CORP.	200,000	140,000	158,000
TENKE MINING CORP.	170,000	87,400	136,000
TOTAL ENERGY SERVICES LTD.	167,000	290,300	287,240
WEDA BAY MINERALS INC.	227,900	339,725	28,488
WHEATON RIVER MINERALS LTD.	350,000	332,860	339,500
WHEATON RIVER MINERALS LTD. (WARRANTS)	177,000	75,940	74,340
WIRELESS MATRIX CORP.	197,000	283,168	321,110
ZED.I SOLUTIONS INC.	500,000	337,650	100,000
Totals		\$ 10,413,016	\$ 9,892,097

SPECIAL OPPORTUNITIES FUND LTD.

Statement of Financial Highlights
Five Years Ended October 31, 2002
(Data per Share)

	2002	2001	2000	1999	1998
Net asset value, beginning of year	\$ 1.37	\$ 1.75	\$ 1.20	\$ 0.89	\$ 1.89
Income from investment					
Operations					
Net investment loss (note 7a)	(0.07)	(0.23)	(0.04)	(0.03)	(0.02)
Net realized and unrealized gains (losses) on investments	0.11	0.17	0.59	0.34	(0.58)
	0.04	(0.06)	0.55	0.31	(0.60)
Distributions to investors					
Capital gains dividends declared and paid	-	(0.32)	-	-	(0.40)
Net asset value, end of year	\$ 1.41	\$ 1.37	\$ 1.75	\$ 1.20	\$ 0.89
Ratios/supplemental data					
Total net assets - end of year	\$ 10,078,197	\$ 4,183,306	\$ 4,611,673	\$ 3,499,936	\$ 3,098,570
Weighted average net assets	\$ 4,894,049	\$ 4,774,525	\$ 4,757,831	\$ 3,420,582	\$ 4,635,810
Management expense ratio (note 7b)	4.86%	14.97%	2.16%	2.91%	2.15%
Adjusted management expense ratio (note 7c)	4.86%	4.10%	2.16%	2.91%	2.15%
Portfolio turnover rate (note 7d)	1.06	1.24	1.59	1.39	2.84
Annual rate of return (note 7e)	2.92%	(21.71%)	45.83%	34.83%	(40.15%)

SPECIAL OPPORTUNITIES FUND LTD.

Notes to Financial Statements
October 31, 2002 and 2001

1. About the Fund

Special Opportunities Fund Ltd. (the "Fund") is an open-ended mutual fund corporation which was formed under the Canada Business Corporations Act pursuant to the registration of articles of amalgamation effective April 12, 1990. The Fund's principal investment objective is capital appreciation primarily through investments in publicly traded equity securities including those of junior issuers. The Fund was managed by Tuscarora Capital Inc. ("Fund Manager") until December 2001. Tuscarora Investment Management Inc. became the Fund Manager in January 2002.

2. Significant Accounting Policies

a) Valuation of Investments

- i) Investments listed on a recognized exchange ("public companies") are valued at the closing sale price for the day on which the Net Asset Value of the Fund is being determined, or if such exchange is not open for trading on that date, then on the last previous date on which such exchange was open for trading.
- ii) Any investment for which a market quotation is not readily available ("private companies") shall be valued at its fair market value as determined by the Fund Manager.

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 used had a ready market existed for the investments.

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on a trade date basis and realized gains and losses from such transactions are calculated on an average cost basis. The accrual method is used to record income and expenses.

SPECIAL OPPORTUNITIES FUND LTD.

Notes to Financial Statements
October 31, 2002 and 2001

2. Significant Accounting Policies (Cont'd)

c) Income Taxes

Income taxes are calculated on the "taxes payable" basis.

The Fund is subject to taxation on its income at rates determined by legislation in effect from time to time. The Fund is a mutual fund corporation as defined by the Income Tax Act of Canada. The Fund may realize refundable taxes on hand by payment of taxable dividends and capital gains dividends or on redemption of shares.

It is the policy of the Fund to distribute each fiscal period an amount sufficient to recover any taxes recoverable by the Fund.

d) Net Asset Value per Share

The net asset value per share is calculated based on the number of shares outstanding at the end of the year.

e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

3. Financial Instruments

The Fund's financial instruments consist of investments, cash, amounts due to/from brokers and accounts payable and accrued liabilities. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

SPECIAL OPPORTUNITIES FUND LTD.

Notes to Financial Statements
October 31, 2002 and 2001

4. Shares Authorized and Outstanding

	2002	2001
Shares outstanding, beginning of the year	3,053,308	2,642,011
Shares issued during the year	4,462,888	730,303
Shares redeemed during the year	(371,510)	(319,006)
Shares outstanding, end of year	7,144,686	3,053,308

The authorized capital of the Fund consists of an unlimited number of mutual fund shares.

5. Management and Performance Fees

The Fund Manager provides investment and management services to the Fund. The Fund pays the Fund Manager 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 quarterly 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, filing fees, custodial fees, and expenses of making distributions to shareholders.

The Fund pays the Fund Manager a performance fee if the percentage gain or loss in the net asset value of the Funds (as adjusted for any prior return deficiencies) in calendar quarter exceeds (or is less than in the case of a decline in the TSE 300 Composite Total Return Index) the percentage gain or loss of the TSE 300 Corporate Total Return Index for that quarter. 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 TSE 300 Composite Total Return Index value or the adjusted net asset value per security.

SPECIAL OPPORTUNITIES FUND LTD.

Notes to Financial Statements
October 31, 2002 and 2001

6. Net Realized Gain on Investments

	2002	2001
Proceeds on sale of investments	\$ 5,201,112	\$ 6,207,683
Less cost of investments sold:		
Cost of investments owned at beginning of year	5,382,308	5,212,694
Investments purchased during the year	10,614,785	5,071,320
Cost of investments owned at end of year	(10,413,016)	(5,382,308)
Investments sold during the year	5,584,077	4,901,706
Net realized gain (loss) on investments for the year	\$ (382,965)	\$ 1,305,977

7. Explanatory Notes to Five Year Financial Statements

- a) Net investment loss per unit is calculated based on the average of the month-end number of units outstanding during the year.
- b) Management expense ratio is calculated based on the aggregate of all expenses paid or payable by the Fund during the year divided by the average of the month-end net asset value of the Fund during the year. The management expense ratio may vary from mutual fund to mutual fund.
- c) Adjusted management expense ratio is calculated based on the aggregate of all expenses paid or payable by the Fund during the year excluding performance fee divided by the average of the month-end net asset value of the Fund during the year. The management expense ratio may vary from mutual fund to mutual fund.
- d) Portfolio turnover rate is calculated based on the lesser of investments purchased or sales proceeds divided by the annual average market value of the portfolio investments for the period, excluding cash and treasury bills.
- e) Annual rate of return is calculated as follows:

(Closing net asset value per share multiplied by opening number of shares plus shares based on reinvestment of all distributions during the year) minus (opening net asset value per share multiplied by opening number of shares)

Opening net asset value per share multiplied by opening number of shares

SPECIAL OPPORTUNITIES FUND LTD.

Notes to Financial Statements
October 31, 2002 and 2001

8. Commissions

The commissions paid in connection with portfolio transactions for the year totalled \$51,219 (2001 - \$58,781).

9. Related Party Transactions

Management fees of \$97,176 (2001 - \$95,183) were paid to the Fund Manager during the year (see note 5). Performance fees of \$nil (2001 - \$519,191) were also paid to the Fund Manager during the year (see note 5).

10. Financial Statement Presentation

Certain 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2002.

11. Statement of Portfolio Transactions

A Statement of Portfolio Transactions (unaudited) for the year ended October 31, 2002 will be provided, without charge, by writing to:

Tuscarora Investment Management Inc.
87 Front Street East
Suite 400
Toronto, Ontario
M5E 1B8