

**FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.**  
(Formerly Special Opportunities Fund Ltd.)

Semi-Annual Financial Statements

April 30, 2004

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# FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

## Statement of Net Assets

(Unaudited - Prepared by Management)

	April 30, 2004	October 31, 2003
<b>ASSETS</b>		
<b>Investments</b> , at market value (cost - \$31,217,785; 2003 - \$17,284,459)	\$ 38,019,319	\$ 26,988,748
<b>Cash</b>	-	10,424
<b>Due from brokers</b>	2,235,269	1,255,161
<b>Subscriptions receivable</b>	139,088	763,258
	40,393,676	29,017,591
<b>LIABILITIES</b>		
<b>Bank indebtedness</b>	551,930	-
<b>Accounts payable and accrued liabilities</b>	40,260	90,465
<b>Due to brokers</b>	32,749	-
<b>Redemptions payable</b>	1,556,752	34,500
<b>Performance fees payable</b>	-	1,659,302
<b>Net assets representing shareholders' equity</b>	\$ 38,211,985	\$ 27,233,324
<b>Shareholders' equity represented by:</b>		
<b>Share capital</b> (note 3)	\$ 22,563,913	\$ 13,802,927
<b>Retained earnings</b>	8,846,538	3,726,108
<b>Unrealized appreciation of investments</b>	6,801,534	9,704,289
<b>Total representing net assets applicable to outstanding shares</b>	\$ 38,211,985	\$ 27,233,324
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
<b>Net asset value, Series A</b>	\$ 2,324,052	\$ 206,302
<b>Shares outstanding, Series A</b> (note 3)	654,829	63,753
<b>Net asset value per share, Series A</b>	\$ 3.55	\$ 3.24
<b>Net asset value, Series B</b>	\$ 35,399,708	\$ 27,002,064
<b>Shares outstanding, Series B</b> (note 3)	9,974,284	8,344,445
<b>Net asset value per share, Series B</b>	\$ 3.55	\$ 3.24
<b>Net asset value, Series F</b>	\$ 488,225	\$ 24,958
<b>Shares outstanding, Series F</b> (note 3)	137,563	7,713
<b>Net asset value per share, Series F</b>	\$ 3.55	\$ 3.24

## FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Statement of Retained Earnings

Periods from November 1 to April 30

(Unaudited - Prepared by Management)

	2004	2003
<b>Retained earnings</b> , beginning of period	\$ 3,726,108	\$ 497,586
<b>Net investment loss for the period</b>	(1,420,697)	(915,574)
<b>Realized gain on sale of investments</b>	6,541,127	1,859,800
<b>Retained earnings</b> , end of period	\$ 8,846,538	\$ 1,441,812

## FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

### Statement of Operations

Periods from November 1 to April 30

(Unaudited - Prepared by Management)

	2004	2003
<b>Investment income</b>		
Interest	\$ 651	\$ 357
Dividends and other	3,542	11,696
	4,193	12,053
<b>Expenses</b>		
General and administrative	79,731	24,591
Goods and services tax	92,381	60,114
Management fees (notes 4 & 6)	396,958	119,481
Performance fees (notes 4 & 6)	822,145	648,060
Professional fees	33,675	75,381
	1,424,890	927,627
<b>Net investment loss for the period</b>	<b>(1,420,697)</b>	<b>(915,574)</b>
<b>Realized and unrealized gain on investments</b>		
Realized gain on sale of investments	6,541,127	1,859,800
Change in unrealized appreciation of value of investments	(2,902,755)	1,641,579
<b>Net gain on investments for the period</b>	<b>3,638,372</b>	<b>3,501,379</b>
<b>Increase in net assets from operations for the period</b>	<b>\$ 2,217,675</b>	<b>\$ 2,585,805</b>

## FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Statement of Changes in Net Assets

Periods from November 1 to April 30

(Unaudited - Prepared by Management)

	2004	2003
<b>Increase in net assets resulting from operations</b>	\$ 2,217,675	\$ 2,585,805
<b>Capital unit transactions</b>		
Issuance of shares		
Series A	2,397,313	-
Series B	18,037,223	326,913
Series F	582,950	-
	21,017,486	326,913
Redemption of shares		
Series A	(189,331)	-
Series B	(11,976,328)	(903,732)
Series F	(90,841)	-
	(12,256,500)	(903,732)
<b>Increase in net assets from capital unit transactions</b>	8,760,986	(576,819)
<b>Increase in net assets for the period</b>	10,978,661	2,008,986
<b>Net assets, beginning of period</b>	27,233,324	10,078,197
<b>Net assets, end of period</b>	\$ 38,211,985	\$ 12,087,183

# FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Notes to Financial Statements

April 30, 2004

(Unaudited – Prepared by Management)

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## 1. About the Fund

Front Street Special Opportunities Canadian Fund Ltd. (formerly 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 is managed by Front Street Capital (the "Fund Manager").

## 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.
- iii) Investments which are restricted as to transferability are valued at the market value of the unrestricted investment as provided in paragraphs (i) and (ii) above less a discount of 20%.

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.

# FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Notes to Financial Statements

April 30, 2004

(Unaudited – Prepared by Management)

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## 2. Significant Accounting Policies (Cont'd)

### c) Income Taxes

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 (Canada). The Fund may realize refundable taxes on hand by payment of taxable dividends and capital gains dividends or on the redemption of shares.

It is the policy of the Fund to distribute each fiscal period an amount sufficient to reduce income taxes payable by the Fund.

### d) Net Asset Value per Share

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

### 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. Shares Authorized and Outstanding

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

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

# FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Notes to Financial Statements

April 30, 2004

(Unaudited – Prepared by Management)

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## 3. Shares Authorized and Outstanding (Cont'd)

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

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

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Shares outstanding, October 31, 2003:

Series A	63,753
Series B	8,344,445
Series F	7,713

Shares issued during the period:

Series A	641,091
Series B	4,891,864
Series F	155,231

Shares redeemed during the period:

Series A	(50,015)
Series B	(3,262,025)
Series F	(25,381)

Shares outstanding, April 30, 2004:

Series A	654,829
Series B	9,974,284
Series F	137,563

## 4. 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 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, filing fees, custodial fees, and expenses of making distributions to shareholders.

# FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

(Formerly Special Opportunities Fund Ltd.)

Notes to Financial Statements

April 30, 2004

(Unaudited – Prepared by Management)

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## 4. Management and Performance Fees (Cont'd)

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

## 5. Income Taxes

At April 30, 2004, the Fund has non-capital losses totalling \$712,112 available to reduce taxable income earned in future years. The losses expire as follows:

October 31, 2008	\$ 17,645
October 31, 2009	237,533
October 31, 2010	456,934
	<hr/>
	\$ 712,112
	<hr/>

## 6. Related Party Transactions

Management fees of \$396,958 (2003 - \$119,481) were paid to the Fund Manager during the period (see note 4). Performance fees of \$822,145 (2003 - \$648,060) were also paid to the Fund Manager during the period (see note 4).

## 7. Statement of Portfolio Transactions

A Statement of Portfolio Transactions (unaudited-prepared by management) for the period ended April 30, 2004 will be provided, without charge, by writing to:

Front Street Capital  
87 Front Street East  
Suite 400  
Toronto, Ontario  
M5E 1B8