

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

Financial Statements

October 31, 2004 and 2003

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ELLIS FOSTER

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

We have audited the accompanying statements of net assets of **Front Street Special Opportunities Canadian Fund Ltd.** as at October 31, 2004 and 2003, the statements of retained earnings, operations and changes in net assets for the years then ended and the statement of portfolio investments as at October 31, 2004. These financial statements are the responsibility of the Fund'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 Fund as at October 31, 2004 and 2003, the results of its operations and the changes in its net assets for the years then ended, and the portfolio investments as at October 31, 2004, in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
December 20, 2004

"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*

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statements of Net Assets
October 31, 2004 and 2003

	2004	2003 (as restated)
ASSETS		
Investments , at market value (cost - \$33,606,833; 2003 - \$17,041,203)	\$ 38,776,295	\$ 26,879,394
Cash	1,983,810	556,506
Due from brokers	1,410,196	818,433
Subscriptions receivable	1,036,941	763,258
	43,207,242	29,017,591
LIABILITIES		
Accounts payable and accrued liabilities (note 10)	110,165	90,465
Redemptions payable	350,074	34,500
Performance fees payable	-	1,659,302
	460,239	1,784,267
Net assets representing shareholders' equity	\$ 42,747,003	\$ 27,233,324
Shareholders' equity represented by:		
Share capital	\$ 24,505,335	\$ 13,802,927
Retained earnings	13,072,206	3,592,206
Unrealized appreciation of investments	5,169,462	9,838,191
Total representing net assets applicable to outstanding shares	\$ 42,747,003	\$ 27,233,324
Net assets applicable to outstanding shares allocated as follows:		
Net asset value, Series A	\$ 3,162,619	\$ 206,302
Shares outstanding, Series A (note 5)	829,036	63,753
Net asset value per share, Series A	\$ 3.81	\$ 3.24
Net asset value, Series B	\$ 38,916,432	\$ 27,002,064
Shares outstanding, Series B (note 5)	10,201,392	8,344,445
Net asset value per share, Series B	\$ 3.81	\$ 3.24
Net asset value, Series F	\$ 667,952	\$ 24,958
Shares outstanding, Series F (note 5)	175,094	7,713
Net asset value per share, Series F	\$ 3.81	\$ 3.24

Approved by the Board:

Gary Selke
Director

David Conway
Director

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statements of Retained Earnings
Years Ended October 31, 2004 and 2003

	2004	2003
		(as restated)
Retained earnings , beginning of year	\$ 3,592,206	\$ 497,586
Net investment loss for the year	(2,079,903)	(3,712,395)
Realized gain on sale of investments (note 7)	11,559,903	6,807,015
Retained earnings , end of year	\$ 13,072,206	\$ 3,592,206

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statements of Operations
Years Ended October 31, 2004 and 2003

	2004	2003
		(as restated)
Investment income		
Interest	\$ 4,954	\$ 1,256
Dividends and other	-	28,741
	4,954	29,997
Expenses		
Custodian fees	86,352	27,078
General and administrative	152,270	27,170
Goods and services tax	134,519	231,172
Management fees (notes 6 & 10)	757,848	315,349
Performance fees (notes 6 & 10)	822,145	3,025,682
Professional fees	131,723	115,941
	2,084,857	3,742,392
Investment loss for the year	(2,079,903)	(3,712,395)
Realized and unrealized gain on investments		
Realized gain on sale of investments (note 7)	11,559,903	6,807,015
Change in unrealized appreciation of value of investments	(4,668,729)	10,359,110
Net gain on investments for the year	6,891,174	17,166,125
Increase in net assets from operations for the year	\$ 4,811,271	\$ 13,453,730
Earnings per share:		
Series A	\$ 0.46	\$ 1.89
Series B	\$ 0.46	\$ 1.89
Series F	\$ 0.46	\$ 1.89

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statements of Changes in Net Assets
Years Ended October 31, 2004 and 2003

	2004	2003 (as restated)
Increase in net assets resulting from operations	\$ 4,811,271	\$ 13,453,730
Capital unit transactions		
Issuance of shares		
Series A	3,103,540	163,517
Series B	24,348,087	19,589,397
Series F	740,610	16,589
	28,192,237	19,769,503
Redemption of shares		
Series A	(263,907)	(10,768)
Series B	(17,102,116)	(16,057,338)
Series F	(123,806)	-
	(17,489,829)	(16,068,106)
	10,702,408	3,701,397
Increase in net assets for the year	15,513,679	17,155,127
Net assets, beginning of year	27,233,324	10,078,197
Net assets, end of year	\$ 42,747,003	\$ 27,233,324

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statement of Portfolio Investments
October 31, 2004

Quantity	Name of Company	Cost	Market value
Oil & Gas (47.9%)			
400,000	Candax Energy Inc. (Special Warrants)	\$ 100,000	\$ 100,000
233,800	Cyries Energy Inc.	1,288,951	1,601,530
97,400	Deer Creek Energy Limited	828,100	861,990
300,000	DRC Resources Corporation	1,371,000	1,650,000
725,000	Drillers Technology Corp.	931,625	870,000
54,100	Duvernay Oil Corp.	627,027	930,520
250,448	Forte Resources Inc.	280,161	751,344
180,400	International Sovereign Energy Corp.	293,035	369,820
231,200	Midnight Oil & Gas Ltd.	1,251,274	2,402,168
43,500	Profico Energy Management Ltd.	1,000,500	2,610,000
207,500	ProspEx Resources Ltd.	668,150	680,600
234,000	Resolute Energy Inc.	692,865	1,170,000
19,200	Rider Resources Ltd.	81,984	109,440
102,700	Savanna Energy Services Corp.	776,865	1,529,203
840,000	Serica Energy Corporation	638,240	840,000
1,168,181	Stratic Energy Corporation	337,062	496,476
128,000	Tempest Energy Corp.	644,240	871,680
100,000	Thunder Energy Inc.	713,150	735,000
		12,524,229	18,579,771
Metals & Minerals (27.7%)			
770,000	Adastra Mineral Inc.	742,220	1,001,000
708,133	Amerigo Resources Ltd.	778,635	1,416,265
42,573	Breakwater Resources Ltd.	15,451	20,221
1,112,500	Cline Mining Corporation (Units)	445,000	778,750
600,000	Dynatec Corporation	750,000	714,000
2,750,000	EuroZinc Mining Corporation	1,494,250	1,980,000
1,250,000	EuroZinc Mining Corporation (Warrants)	1	275,000
50,400	International Uranium Corporation	60,503	176,400
625,000	Metalex Ventures Ltd.	1,293,750	656,250
197,500	Quadra Mining Ltd.	1,081,171	1,143,525
150,000	Quadra Resources Corp.	1,500	1
150,000	Red Back Mining Inc.	309,465	253,500
2,500,000	Simberi Gold Corporation	625,000	250,000
2,500,000	Simberi Gold Corporation (Warrants)	1	1
1,225,000	Southern Cross Resources Inc.	1,512,875	1,016,750
72,000	Toquima Minerals Corporation	25,200	25,200
448,700	Western Prospector Group Ltd.	631,408	538,440
400,000	Western Prospector Group Ltd. (Units)	460,000	480,000
35,642	Yilgarn Mining Limited	1	4,223
		10,226,431	10,729,526

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Statement of Portfolio Investments
October 31, 2004

Quantity	Name of Company	Cost	Market value
Gold & Precious Minerals (15.5%)			
379,000	Asia Gold Corp.	\$ 1,225,792	\$ 352,470
823,867	bcMetals Corporation	878,432	477,842
112,500	bcMetals Corporation (Warrants)	2	2
95,000	Bolivar Gold Corp. (Warrants)	1	1
775,000	Capstone Gold Corp.	605,125	697,500
232,500	Central Asia Gold Limited	191,472	127,182
900,000	Entrée Gold Inc.	900,000	783,000
450,000	Entrée Gold Inc. (Warrants)	1	1
450,000	Golden China Inc. (Special Warrants)	450,000	450,000
225,000	Guyana Goldfields Inc.	744,277	740,250
100,000	Maxy Gold Corp. (Warrants)	1	4,000
681,818	Shore Gold Inc.	1,499,999	1,431,817
340,909	Shore Gold Inc. (Warrants)	1	1
325,000	SKN Resources Limited	248,432	211,250
150,000	Wheaton River Minerals Ltd.	560,625	598,500
100,000	Wolfden Resources Inc. (Warrants)	1	130,000
		7,304,161	6,003,816
Technology (6.8%)			
450,279	Coretec Inc.	721,051	990,613
1,000,000	General Strategies Ltd.	500,000	500,000
960,000	Peer 1 Network Enterprises, Inc.	320,000	355,200
356,800	RDM Corporation	310,773	406,751
613,200	Wireless Matrix Corporation	1,029,929	380,184
		2,881,753	2,632,748
Utilities (2.1%)			
584,500	MAXIM Power Corp.	181,688	210,420
620,013	Ozz Corporation	488,570	620,013
51,926	Ozz Corporation (Warrants)	1	1
		670,259	830,434
		\$ 33,606,833	\$ 38,776,295

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

1. About the Fund

Front Street Special Opportunities Canadian Fund Ltd. (the "Fund") is an open-ended mutual fund corporation which was formed under the Canada Business Corporations Act pursuant to the registration of articles of amalgamation effective April 12, 1990. The Fund's principal investment objective is capital appreciation primarily through investments in publicly traded equity securities including those of junior issuers.

The Fund is managed by Front Street Capital (the "Fund Manager").

2. Change in Accounting Policy

In fiscal 2004, the Fund changed its accounting policy to account for investment transactions from a trade date basis to a trade date + 1 basis. The change in accounting policy has been applied retroactively and had the following effects at October 31, 2003: reduced investments at market value by \$109,354, reduced investments at cost by \$243,256, increased cash by \$546,082, reduced due from brokers by \$436,728, and reduced realized gains by \$133,902.

The change in accounting policy did not change net assets representing shareholders' equity or net asset value per share, Series A, B or F at October 31, 2003.

3. 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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

3. Significant Accounting Policies (Cont'd)

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on a trade date + 1 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.

c) Generally Accepted Accounting Principles

In October 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1100, "Generally Accepted Accounting Principles" of the *CICA Handbook – Accounting*, which establishes standards for financial reporting and applies to all entities, with the exception of rate-regulated operations.

This section primarily impacts the disclosure of an investment fund's financial statements, and accordingly, has no impact on the valuation of a fund or in the calculation of the net asset value per share of a fund. For financial statement reporting purposes, earnings (loss) per share is now included in the statements of operations in accordance with generally accepted accounting principles ("GAAP"). Certain disclosures previously considered GAAP by virtue of general practice in the investment funds industry are not considered GAAP for purposes of inclusion in the funds' financial statements. As a result, financial information including certain performance measurements are now presented and defined in a separate report, Financial Highlights. These measures are considered important from an investor's perspective in assessing fund performance and are included for information purposes. They are not substitutions for GAAP measures, and accordingly, are not included as part of the financial statements of the Fund.

d) 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.

e) Net Asset Value per Share

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

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

3. Significant Accounting Policies (Cont'd)

f) Earnings (Loss) Per Share

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

g) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP 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.

4. Financial Instruments

The Fund's financial instruments consist of investments, cash, amounts due from brokers, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and performance fees payable. 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.

5. 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.

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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

5. Shares Authorized and Outstanding (Cont'd)

	2004	2003
Shares outstanding, beginning of the year:		
Series A	63,753	-
Series B	8,344,445	7,144,686
Series F	7,713	-
Shares issued during the year:		
Series A	837,158	67,126
Series B	6,612,307	2,666,398
Series F	202,398	7,713
Shares redeemed during the year:		
Series A	71,875	3,373
Series B	4,755,360	1,466,639
Series F	35,017	-
Shares outstanding, end of year:		
Series A	829,036	63,753
Series B	10,201,392	8,344,445
Series F	175,094	7,713

6. 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.

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.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

7. Realized Gain on Sale of Investments

	2004	2003
Proceeds on sale of investments	\$ 82,443,721	\$ 36,837,545
Less cost of investments sold:		
Cost of investments owned at beginning of year	17,041,203	10,413,016
Investments purchased during the year	87,449,448	36,658,717
Cost of investments owned at end of year	(33,606,833)	(17,041,203)
Investments sold during the year	70,883,818	30,030,530
Realized gain on sale of investments for the year	\$ 11,559,903	\$ 6,807,015

8. Commissions

The commissions paid in connection with portfolio transactions for the year totalled \$561,520 (2003 - \$346,024).

9. Management Expense Ratio

The management expense ratio expresses the total of all expenses, fees and taxes (including GST and provincial capital taxes) of the Fund as a percentage of the Fund's average month-end net asset value of the relevant series during the year.

The management expense ratio for each series of share capital of the Fund for each of the years in the five-year period ended October 31, 2004 was as follows:

	Series A	Series B	Series F
2004	5.60%	5.60%	5.60%
2003	24.11%	24.11%	24.11%
2002	-	4.86%	-
2001	-	14.97%	-
2000	-	2.16%	-

The management expense ratio may vary from mutual fund to mutual fund.

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

Notes to Financial Statements
October 31, 2004 and 2003

10. Related Party Transactions

Management fees of \$757,848 (2003 - \$315,349) were paid to the Fund Manager during the year (see note 6). Performance fees of \$822,145 (2003 - \$3,025,682) were also paid to the Fund Manager during the year (see note 6). Included in accounts payable and accrued liabilities are \$71,372 (2003 - \$49,672) of management fees payable to the Fund Manager.

11. Subsequent Event

On December 30, 2004 the Fund declared and paid a capital gains dividend in the amount of \$0.49 per share to the shareholders of record on December 29, 2004. Except for those shareholders which have requested that any dividends be paid in cash, the dividend was paid in the form of additional shares at the post-dividend net asset value per share on December 29, 2004.

12. Statement of Portfolio Transactions

A Statement of Portfolio Transactions (unaudited) for the year ended October 31, 2004 will be provided, without charge, by writing to:

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