

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

FINANCIAL STATEMENTS
OCTOBER 31, 2009

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Canadian Equity Fund (formerly Front Street Canadian Equity Fund Class) of Front Street Mutual Funds Limited have been prepared by the management of Front Street Capital 2004, the Manager of the Fund, and approved by the Board of Directors of Front Street Mutual Funds Limited. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 2 to the financial statements.

The Board of Directors of Front Street Mutual Funds Limited is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with the Manager and the external auditors. The Board of Directors approves the audited financial statements for publication.

Segal LLP are the external auditors of Front Street Canadian Equity Fund. They are appointed by the Manager of the Fund. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

On behalf of Management of Front Street Capital 2004,
Manager of the Fund



Gary P. Selke
Management Committee Member
Front Street Capital 2004



Normand G. Lamarche
Management Committee Member
Front Street Capital 2004

January 13, 2010
Toronto, Ontario

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AUDITORS' REPORT

**To the Shareholders of
Front Street Canadian Equity Fund (the "Fund")
(formerly Front Street Canadian Equity Fund Class) of
Front Street Mutual Funds Limited**

We have audited the statement of net assets of the Front Street Canadian Equity Fund, (the "Fund") as at October 31, 2009 and the statements of operations and changes in net assets for the year then ended and the statement of investment portfolio as at October 31, 2009. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 the Manager, 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, 2009 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 13, 2010

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF NET ASSETS
AS AT OCTOBER 31, 2009

	2009	2008
ASSETS		
Investments, at fair value (cost - \$103,293,963; 2008 - \$63,627,723)	\$ 111,909,528	\$ 41,603,322
Cash and cash equivalents	17,679,071	31,058,692
Accounts receivable relating to portfolio assets sold	19,698,443	7,096,711
Accounts receivable relating to shares issued	418,695	53,479
Amounts receivable relating to accrued income	<u>243,701</u>	<u>54,481</u>
	<u>\$ 149,949,438</u>	<u>\$ 79,866,685</u>
LIABILITIES		
Liabilities for portfolio assets purchased	\$ 10,833,817	\$ 9,522,580
Performance fees payable	2,610,926	-
Obligations from portfolio assets sold short, at fair value	1,061,682	1,472,383
Accrued expenses	651,539	444,990
Accounts payable relating to shares redeemed	<u>557,039</u>	<u>280,471</u>
	<u>15,715,003</u>	<u>11,720,424</u>
Net assets representing shareholders' equity	<u>\$ 134,234,435</u>	<u>\$ 68,146,261</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 57,695,443	\$ 45,292,725
Shares outstanding, Series A, note 3	6,444,974	6,357,986
Net assets per share, Series A	<u>8.95</u>	<u>7.12</u>
Net assets, Series B	\$ 72,893,067	\$ 20,700,478
Shares outstanding, Series B, note 3	8,138,118	2,903,300
Net assets per share, Series B	<u>8.96</u>	<u>7.13</u>
Net assets, Series F	\$ 3,645,925	\$ 2,153,058
Shares outstanding, Series F, note 3	424,183	314,034
Net assets per share, Series F	<u>8.60</u>	<u>6.86</u>

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



Gary P. Selke
Chief Executive Officer and Director



Murray Plasket
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED OCTOBER 31, 2009

	2009	2008
Investment income		
Interest	\$ 601,533	\$ 839,355
Dividends	<u>464,728</u>	<u>128,911</u>
	<u>1,066,261</u>	<u>968,266</u>
Expenses		
Performance fees, note 4	2,610,926	-
Management fees, note 4	1,757,992	2,650,826
Servicing fees, note 4	881,327	-
Administration fees	432,737	322,561
Legal fees	428,088	294,301
Securityholder reporting costs	167,601	14,000
Audit fees	128,551	79,170
Compensatory dividends	89,777	32,404
Custodial fees	34,116	25,581
Independent review committee	<u>13,133</u>	<u>5,748</u>
	<u>6,544,248</u>	<u>3,424,591</u>
Net investment loss for the year	<u>(5,477,987)</u>	<u>(2,456,325)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on the sale of investments	7,570,984	(21,026,611)
Transaction costs, note 6	(1,550,048)	(1,113,783)
Change in the unrealized appreciation (depreciation) of the value of investments	<u>30,544,729</u>	<u>(29,159,313)</u>
Net gain (loss) on investments for the year	<u>36,565,665</u>	<u>(51,299,707)</u>
Net increase (decrease) in net assets from operations for the year	<u>\$ 31,087,678</u>	<u>\$ (53,756,032)</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ 11,576,924	\$ (35,486,883)
Increase (decrease) in net assets from operations per share, Series A	<u>\$ 1.86</u>	<u>\$ (5.45)</u>
Increase (decrease) in net assets from operations, Series B	\$ 19,307,927	\$ (16,304,693)
Increase (decrease) in net assets from operations per share, Series B	<u>\$ 2.88</u>	<u>\$ (5.39)</u>
Increase (decrease) in net assets from operations, Series F	\$ 202,827	\$ (1,964,456)
Increase (decrease) in net assets from operations per share, Series F	<u>\$ 0.60</u>	<u>\$ (5.21)</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2009

	2009	2008
Series A		
Net assets, beginning of year	\$ 45,292,725	\$ 74,852,304
Net increase (decrease) in net assets from operations	<u>11,576,924</u>	<u>(35,486,883)</u>
Shareholder transactions		
Proceeds from the issuance of shares	8,001,127	13,796,882
Aggregate amounts paid on redemption of shares	<u>(7,175,333)</u>	<u>(7,869,578)</u>
	<u>825,794</u>	<u>5,927,304</u>
Net increase (decrease) in net assets for the year	<u>12,402,718</u>	<u>(29,559,579)</u>
Net assets, end of year	<u>\$ 57,695,443</u>	<u>\$ 45,292,725</u>
Series B		
Net assets, beginning of year	\$ 20,700,478	\$ 33,571,260
Net increase (decrease) in net assets from operations	<u>19,307,927</u>	<u>(16,304,693)</u>
Shareholder transactions		
Proceeds from the issuance of shares	48,198,807	10,468,678
Aggregate amounts paid on redemption of shares	<u>(15,314,145)</u>	<u>(7,034,767)</u>
	<u>32,884,662</u>	<u>3,433,911</u>
Net increase (decrease) in net assets for the year	<u>52,192,589</u>	<u>(12,870,782)</u>
Net assets, end of year	<u>\$ 72,893,067</u>	<u>\$ 20,700,478</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
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STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED OCTOBER 31

	2009	2008
Series F		
Net assets, beginning of year	\$ 2,153,058	\$ 4,474,278
Net increase (decrease) in net assets from operations	<u>202,827</u>	<u>(1,964,456)</u>
Shareholder transactions		
Proceeds from the issuance of shares	2,449,363	1,618,850
Aggregate amounts paid on redemption of shares	<u>(1,159,323)</u>	<u>(1,975,614)</u>
	<u>1,290,040</u>	<u>(356,764)</u>
Net increase (decrease) in net assets for the year	<u>1,492,867</u>	<u>(2,321,220)</u>
Net assets, end of year	<u>\$ 3,645,925</u>	<u>\$ 2,153,058</u>
Total		
Net assets, beginning of year	\$ 68,146,261	\$ 112,897,842
Net increase (decrease) in net assets from operations	<u>31,087,678</u>	<u>(53,756,032)</u>
Shareholder transactions		
Proceeds from the issuance of shares	58,649,297	25,884,410
Aggregate amounts paid on the redemption of shares	<u>(23,648,801)</u>	<u>(16,879,959)</u>
	<u>35,000,496</u>	<u>9,004,451</u>
Net increase (decrease) in net assets for the year	<u>66,088,174</u>	<u>(44,751,581)</u>
Net assets, end of year	<u>\$ 134,234,435</u>	<u>\$ 68,146,261</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions			
Energy (25.0%)			
Alange Energy Corporation	1,581,238	\$ 680,464	\$ 917,118
Arpetrol Inc. Restricted	108,678	168,282	86,942
Bankers Petroleum Limited	440,421	1,325,496	2,074,374
Bellamont Exploration Limited 'A'	489,800	303,676	323,268
Bridge Resources Corporation Warrants	220,863	-	-
C & C Energy Canada Limited Restricted	1,127,583	2,329,266	2,255,167
Calfrac Well Services Limited	27,248	273,816	465,123
Cameco Corporation	82,063	2,464,218	2,412,652
Canacol Energy Limited Restricted	1,464,520	410,066	464,839
Canadian Natural Resources Limited	28,943	2,077,358	2,019,353
Canyon Services Group Inc.	202,300	404,600	404,600
Cequence Energy Limited	196,083	674,526	680,408
Crew Energy Inc.	159,292	1,506,492	1,576,991
EnCana Corporation	5,644	372,331	338,640
Exeter Resource Corporation	72,631	452,010	421,986
Galleon Energy Inc.	289,166	1,444,130	1,567,280
Glamis Resources Limited 'A' Restricted	625,600	782,000	1,002,962
Interex Oilfield Services Limited Warrants	203,500	-	-
Magma Energy Corporation	285,736	428,604	514,325
Midnight Oil Exploration Limited	156,078	148,274	165,443
Opel International Inc.	92,500	71,817	32,838
Opel International Inc. Warrants	151,045	-	-
Opel International Inc. Warrants	166,500	-	-
Open Range Energy Corporation Subscription Receipts	275,000	508,750	518,650
Orleans Energy Limited	818,626	2,110,244	1,891,026
Pacific Rubiales Energy Corporation	20,403	273,953	268,503
Pacific Rubiales Energy Corporation Warrants	248,957	155,656	1,687,928
Pengrowth Energy Trust	20,363	228,440	204,648
Petrominerales Limited	35,398	391,715	532,032
Plutonic Power Corporation	30	86	91
Ram Power Corporation	420,000	1,260,000	1,398,600
Standard Energy Inc.	88,800	17,760	13,320
Storm Exploration Inc.	159,604	1,870,194	2,124,329
Storm Gas Resource Corporation Restricted	39,000	199,500	136,500
Suncor Energy Inc.	114,624	4,231,422	4,090,931
Suroco Energy, Inc.	6,000	2,784	2,160
Suroco Energy Inc. Restricted	3,200,000	800,000	1,128,960
Suroco Energy Inc. Warrants	3,200,000	-	464,288
Trican Well Service Limited	1	7	13

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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Energy (25.0%) (Continued...)			
Western Coal Corporation	173,041	514,467	482,784
WesternZagros Resources Limited	226,447	480,715	301,175
Xtreme Coil Drilling Corporation	107,300	418,905	521,478
Zongshen Pem Power Systems Inc.	117,479	<u>186,490</u>	<u>123,353</u>
		\$ 29,968,514	\$ 33,615,078
Materials (21.1%)			
Agrium Inc.	7,800	\$ 403,427	\$ 389,309
Avcorp Industries Inc.	16,000	160,000	160,000
B2Gold Corporation	103,116	79,867	76,306
Barrick Gold Corporation	58,923	2,319,188	2,289,159
Bio-Extraction Inc.	286,100	357,625	449,177
Bio-Extraction Inc. Warrants	1,000,000	-	1,170,572
Cathay Forest Products Corporation	445,906	189,077	298,757
Claymore Gold Bullion Trust Warrants	80,000	40,000	4,800
Coalcorp Mining Inc. Warrants	31,050	1,302	155
Coalcorp Mining Inc. Warrants	30,551	1,355	153
Eastmain Resources Warrants	130,412	-	5,989
Electric Metals Inc.	520,000	130,000	174,720
Electric Metals Inc. Warrants	260,000	-	58,764
Encanto Potash Corporation	144,600	44,826	35,427
Entree Gold Inc.	24,900	58,464	64,740
European Goldfields Limited	62,067	405,129	375,505
First Quantum Minerals Limited	108	7,551	7,993
First Uranium Corporation	93,962	450,260	253,697
FNX Mining Company Inc. Warrants	25,400	31,496	85,090
Fronteer Development Group Inc.	362,172	1,211,525	1,455,931
Galway Resources Limited	118,900	99,486	126,034
Galway Resources Limited Restricted	600,000	300,000	597,840
Galway Resources Limited Warrants	300,000	-	251,810
General Magnesium Corporation Restricted	436,126	149,355	21,806
Gold Wheaton Gold Corporation	112,800	31,618	32,148
Goldcorp Inc.	85,043	3,577,777	3,375,357
GoviEX IP Holdings Inc.	196,880	-	-
Grande Cache Coal Corporation	238,121	974,663	888,191
Guatavita Gold Corporation Restricted	820,000	205,000	205,000
Hanfeng Evergreen Inc.	340,140	2,569,016	2,013,629
Hedman Resources Limited	1,988,569	29,829	-
Ivanhoe Mines Limited	6,200	79,343	72,106

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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Materials (21.1%) (continued...)			
La Camera Mining Inc. Warrants 'B' Restricted	654,190	224,031	65,419
Lundin Mining Corporation	355,379	1,315,059	1,535,237
Magindustries Corporation	559,789	322,777	302,286
Major Drilling Group International Inc.	21,166	488,403	456,762
New Gold Inc. Warrants	16,625	-	300
New Gold Inc. Warrants	211,133	4,679	7,390
Petroamerica Oil Corporation Restricted	3,269,200	817,300	2,223,056
Petroamerica Oil Corporation Restricted Warrants	3,269,200	-	123,049
Phoenix Coal Inc. Warrants	126,065	19,115	630
Potash North Resource Corporation	76,374	-	250,094
Potash North Resource Corporation Warrants	97,904	4,536	-
Potash One Inc.	201,506	523,756	501,750
Quadra Mining Limited	36,400	531,117	546,000
Red Back Mining Inc.	13,100	176,674	182,745
Romarco Minerals Inc. Warrants	191,000	-	121,636
Rubicon Minerals Corporation	282,932	705,708	1,225,096
San Gold Corporation	666,253	1,904,477	1,792,221
Shamaran Capital Inc. Restricted	80,000	60,000	42,864
Sino-Forest Corporation	10,300	153,366	155,942
Southeast Asia Mining Corp Special Warrants	261,800	12,411	2,618
Tawsho Mining Inc.	153,037	36,703	24,486
Teck Resources Limited 'B'	14,300	473,522	445,731
Thompson Creek Metals Limited	8,657	116,783	94,534
TiCan Titate Metals Company Inc. Class 'A'	842,167	137,639	42,108
Uranium Participation Corporation	54,169	396,983	364,557
Ventana Gold Corporation	152,130	1,439,132	1,363,085
Yamana Gold Inc.	133,956	<u>1,582,235</u>	<u>1,536,464</u>
		<u>\$ 25,353,585</u>	<u>\$ 28,346,225</u>
Consumer Discretionary (0.0%)			
Dynasty Gaming Inc. Warrants	155,000	\$ 2,325	\$ 17
Groove Media Inc.	125,713	<u>37,714</u>	<u>25,143</u>
		<u>\$ 40,039</u>	<u>\$ 25,160</u>
Consumer Staples (1.2%)			
Saputo Inc.	59,874	\$ 1,322,565	\$ 1,546,545
Viterra Inc.	700	<u>6,196</u>	<u>7,175</u>
		<u>\$ 1,328,761</u>	<u>\$ 1,553,720</u>

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FRONT STREET CANADIAN EQUITY FUND
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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Financials (3.5%)			
BOS Solutions Limited	180,375	\$ 450,938	\$ 270,563
CanElson Drilling Inc.	540,750	1,045,600	919,275
Great-West Lifeco Inc.	550	14,556	12,975
Royal Bank of Canada	2,028	108,279	110,364
The Toronto-Dominion Bank	53,900	<u>3,442,983</u>	<u>3,324,552</u>
		<u>\$ 5,062,356</u>	<u>\$ 4,637,729</u>
Health Care (2.1%)			
Atrium Innovations Inc.	81,039	\$ 1,118,030	\$ 1,136,977
GLG Life Tech Corporation	160,202	363,323	450,168
Immunovaccine Technologies Inc.	285,714	200,000	220,000
IMRIS Inc.	205,000	<u>1,148,000</u>	<u>1,055,750</u>
		<u>\$ 2,829,353</u>	<u>\$ 2,862,895</u>
Industrials (7.6%)			
Canadian National Railway Company	17,093	\$ 917,372	\$ 889,691
Canadian Pacific Railway Limited	14,400	666,218	670,608
Cantronic Systems Inc.	1,242,029	302,912	273,246
Davie Yards, Inc.	960,059	238,811	105,606
Davie Yards Inc. Warrants	93,732	12,589	469
Dirtt Environmental Solutions Limited	128,865	185,931	161,081
Electrovaya Inc.	40,800	40,965	31,824
Enpar Technologies Inc Warrants	262,515	-	-
GVL Inc. 'A'	40,700	295,881	366,707
Intermap Technologies Corporation	847,686	3,186,547	2,042,923
Intermap Technologies Corporation Warrants	39,196	-	-
Jamba Inc.	9,321	1,197,082	1,155,180
Miranda Technologies Inc.	218,445	1,262,554	1,234,214
Neo Material Technologies Inc.	385,659	1,052,937	1,330,524
Pure Technologies Limited	384,463	1,111,504	1,499,406
Trilliant Inc. Restricted	653,056	<u>391,417</u>	<u>391,834</u>
		<u>\$ 10,862,720</u>	<u>\$ 10,153,313</u>

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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Information Technology (10.1%)			
DragonWave Inc.	744,978	\$ 2,640,228	\$ 6,458,959
Embotics Corporation Private Placement	100,224	1,046,893	902,016
Redknee Solutions Inc.	524,600	538,847	540,338
Research in Motion Limited	23,452	1,918,265	1,473,922
The Descartes Systems Group Inc.	712,016	2,865,146	3,994,410
The Medipattern Corporation	859,540	512,961	128,931
View 22 Technologies Inc.	108,367	111,627	75,857
View 22 Technologies Inc. Warrants	51,116	-	-
		<u>\$ 9,633,967</u>	<u>\$ 13,574,433</u>
Telecommunication Services (3.4%)			
COM DEV International Limited	462,469	\$ 1,522,594	\$ 1,415,155
Exfo Electro Optical Engineering Inc.	106,228	593,259	415,351
Hemisphere GPS Inc.	994,655	1,879,509	934,976
International Datacasting Corporation	450,000	360,000	117,000
QuStream Corporation	787,280	263,528	51,173
QuStream Corporation Warrants	230,000	-	-
Vecima Networks Inc.	43,200	190,944	229,392
Wireless Matrix Corporation	1,530,216	963,133	1,407,799
		<u>\$ 5,772,967</u>	<u>\$ 4,570,846</u>
Utilities (2.2%)			
Boralex Inc. 'A'	309,435	\$ 2,355,147	\$ 2,760,160
Just Energy Income Fund	20,981	282,824	275,271
		<u>\$ 2,637,971</u>	<u>\$ 3,035,431</u>
Corporate Bonds (1.2%)			
AG Growth International 7.0%, Dec 31, 2014	940,000	\$ 940,000	\$ 958,800
Coastal Energy Company Senior Notes 15.0%, Jan 23, 2010	100,000	128,756	107,768
Coalcorp Mining Inc. Series A Notes 12.0%, Aug 31, 2011	226,727	168,030	171,037
QuStream Corporation Note 10.0%, Mar 6, 2010	460,000	414,000	414,000
		<u>\$ 1,650,786</u>	<u>\$ 1,651,605</u>

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STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Global Equities			
Australia (0.3%)			
Berkeley Resources Limited	410,686	\$ 219,467	\$ 376,291
Berkeley Resources Limited Warrants	43,934	-	17,772
		<u>\$ 219,467</u>	<u>\$ 394,063</u>
Bermuda (0.7%)			
Brookfield Infrastructure Partners LP Units 1	62,000	\$ 964,100	\$ 890,965
Cayman Islands (0.6%)			
Coastal Energy Company Warrants	39,062	\$ -	\$ 33,858
Coastal Energy Company Warrants	4	-	-
Tethys Petroleum Limited	969,942	894,757	708,058
		<u>\$ 894,757</u>	<u>\$ 741,916</u>
United States (3.3%)			
AssistMed	702,576	\$ 9,055	\$ -
C.O.R.E. Holdings Inc. Class B	1,292	208,156	111,389
Coolbrands International Inc.	889,339	644,050	738,151
Geovic Mining Corporation 'A' Warrants	69,192	517	3,806
Geovic Mining Corporation 'B' Warrants	17,060	222	171
Geovic Mining Corporation Warrants	188,713	6,634	6,605
Govi High Power Explorations Inc. Special Warrants	196,880	291,821	243,999
Gran Tierra Energy, Inc.	334,287	1,274,143	1,724,921
Inviro Medical Inc. Private Placement	92,500	101,339	74,764
NGTV	794,462	71,678	17,124
Pradera Resources Inc. Private Placements	109,106	109,106	38,187
The Mosaic Company	18,115	995,126	912,270
Tire Stamp Inc.	533,914	302,695	11,508
U.S. Geothermal Inc. Subscription Receipts	352,000	475,200	513,638
		<u>\$ 4,489,742</u>	<u>\$ 4,396,533</u>
Switzerland (0.0%)			
Weatherford International Limited	2	\$ 24	\$ 38
United Kingdom (1.1%)			
Cairn Energy PLC	31,115	\$ 1,584,854	\$ 1,459,578
Total Long Positions (83.4%)		<u>\$ 103,293,963</u>	<u>\$ 111,909,528</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Short Positions			
Consumer Staples (0.0%)			
Alliance Grain Traders Inc.	(2)	\$ (36)	\$ (46)
Energy (-0.4%)			
Celtic Exploration Limited	(22,700)	\$ (353,046)	\$ (442,650)
Pristine Power Inc.	(10,000)	<u>(23,073)</u>	<u>(24,800)</u>
		<u>\$ (376,119)</u>	<u>\$ (467,450)</u>
Industrials (0.0%)			
AG Growth International Incorporated	(600)	<u>\$ (20,380)</u>	<u>\$ (19,170)</u>
Information Technology (0.0%)			
Absolute Software Corporation	(3,000)	\$ (17,448)	\$ (15,600)
WebTech Wireless Inc.	(12,300)	<u>(12,755)</u>	<u>(12,423)</u>
		<u>\$ (30,203)</u>	<u>\$ (28,023)</u>
Materials (0.0%)			
Romarco Minerals Inc.	(45,100)	<u>\$ (53,372)</u>	<u>\$ (54,120)</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

STATEMENT OF INVESTMENT PORTFOLIO
AS AT OCTOBER 31, 2009

	Number of Shares / Units	Cost \$	Fair Value \$
Written Options (-0.4%)			
Agrium Inc. Dec/50 WPO	(82)	\$ (12,208)	\$ (47,720)
Barrick Gold Corpor Nov/33 WPO	(123)	(8,865)	(7,953)
Bunge Limited Jan/45 WPO	(80)	(8,622)	(7,328)
Bunge Limited Nov/55 WPO	(23)	(5,504)	(3,718)
Canadian Natural Re Nov/60 WPO	(120)	(30,832)	(18,752)
Canadian Natural Re Nov/65 WPO	(82)	(19,142)	(30,929)
Canadian Natural Re Nov/70 WCO	(80)	(17,721)	(11,208)
Canadian Natural Re Nov/70 WPO	(123)	(28,026)	(90,137)
Canadian Pacific Ra Nov/45 WPO	(123)	(22,897)	(35,790)
Canadian Pacific Ra Nov/46 WPO	(123)	(12,546)	(15,990)
Encana Corporation Nov/55 WPO	(123)	(15,481)	(27,836)
Encana Corporation Nov/60 WCO	(80)	(8,304)	(6,035)
Goldcorp Inc. Nov/35 WPO	(246)	(23,684)	(27,836)
Potash Corporation Dec/90 WPO	(41)	(8,039)	(20,767)
Research in Motion Dec/60 WPO	(82)	(21,558)	(47,278)
Research in Motion Jan/48 WPO	(120)	(15,892)	(22,631)
Research in Motion Nov/60 WPO	(80)	(16,009)	(28,451)
Suncor Energy Inc. Nov/35 WCO	(80)	(11,728)	(7,328)
Suncor Energy Inc. Nov/40 WCO	(120)	(19,048)	(1,940)
Teck Resources Limited Nov/27 WPO	(123)	(15,481)	(14,581)
Teck Resources Limited Nov/31 WCO	(40)	(5,436)	(4,526)
The Mosaic Company Nov/45 WPO	(82)	(10,321)	(14,139)
		<u>\$ (337,344)</u>	<u>\$ (492,873)</u>
Total Short Positions (-0.8%)		<u>\$ (817,454)</u>	<u>\$ (1,061,682)</u>
Transaction costs, note 2		<u>\$ (195,630)</u>	-
Total Investments (82.6%)		<u>\$ 102,280,879</u>	110,847,846
Cash and cash equivalents (13.2%)			17,679,071
Other assets less other liabilities (4.2%)			<u>5,707,518</u>
Net assets (100.0%)			<u>\$ 134,234,435</u>

See accompanying notes to the financial statements

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

1. **THE FUND**

Front Street Canadian Equity 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. Series A commenced operations on June 28, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on August 3, 2006.

At a special meeting held on October 15, 2008, the applicable securityholders approved the special resolutions authorizing the amalgamation of Front Street Mutual Funds Limited and Front Street Opportunity Funds Ltd. to form Front Street Mutual Funds Limited pursuant to an amalgamation agreement entered into as of October 31, 2008 and the filing of such articles of amalgamation with an effective date of November 1, 2008. Pursuant to the amalgamation, the Fund amalgamated with Front Street Equity Opportunities Fund of Front Street Opportunity Funds Ltd. to form Front Street Canadian Equity Fund. Each former shareholder of Front Street Canadian Equity Fund Class received one share of the Front Street Canadian Equity Fund. Each former shareholder of Front Street Equity Opportunities Fund received 0.9996 shares for each Series A and 0.9987 shares for each Series B, share respectively.

The transactional net asset value of the Front Street Equity Opportunities Fund acquired was as follows:

Total assets	\$	1,841,632
Total liabilities		36,696
Net assets representing shareholders' equity		1,804,936

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series A	59,440	\$ 425,326
Series B	192,635	1,379,610
Series F	<u>-</u>	<u>-</u>
	<u>252,075</u>	<u>\$ 1,804,936</u>

Summary financial information for Front Street Equity Opportunities Fund, for the 11 1/2 months ended October 31, 2008 is as follows:

Investment income	\$	37,280
Total expenses		92,209
Net realized loss on investments		699,626
Net decrease in net assets from operations for the period		754,555

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

1. **THE FUND** (Continued...)

On March 2, 2009, the Fund acquired the net assets of Front Street Performance Fund II whereby the shares were converted at the rate of 1.0086 Series B shares of the Fund.

The transactional net asset value of the Front Street Performance Fund II acquired were as follows:

Total assets	\$ 41,795,618
Total liabilities	2,590,945
Net assets representing shareholders' equity	39,204,673

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>6,031,753</u>	<u>\$ 39,204,673</u>

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 October 31, 2009.

Front Street Capital 2004 is the manager of the Fund (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. During the year NBCN Inc. replaced RBC Dominion Securities Inc. as the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The Fund's investment objective is to provide Fund securityholders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were 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 are classified as held for trading. Accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued and amounts receivable relating to accrued income are classified as loans and receivables. Liabilities for portfolio assets purchased, performance fees payable, accrued expenses and accounts payable relating to shares redeemed are classified as other financial liabilities.

Financial instruments which are traded in active markets are measured based on the bid price for long securities and the ask price for short securities. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are charged to net income in the period. The cost of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs.

In June 2008, 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. The changes are effective September 8, 2008 and have been reflected in these financial statements.

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 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 CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

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 paragraph (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 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 derivative contracts 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 futures or option contracts. Derivative 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 CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which have replaced Section 3861, Financial Instruments - Disclosure and Presentation. These new 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 on January 1, 2009. 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.

These changes have no impact on the net assets, results of operations or changes in net assets of the Fund.

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 CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

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 is 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 period. Actual results may differ from those estimates.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

m) Future accounting pronouncements

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

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing November 1, 2011, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact of the implementation as new IFRS guidance becomes available from the International Accounting Standards Board.

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and does not expect the adoption of IFRS to have a material effect on the Fund's net asset value per share for all series of shares. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of shareholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's preliminary analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

3. **SHARES ISSUED 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 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 after the first 18 months and prior to 36 months following acquisition. No redemption fee applies to shares of this series sold after the first 36 months following acquisition.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

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

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.

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 year.

The following share transactions took place during the year:

	2009	2008
Shares outstanding, beginning of the year:		
Series A	6,357,986	5,927,710
Series B	2,903,300	2,655,860
Series F	314,034	368,183
Shares issued during the year:		
Series A	1,047,668	1,403,050
Series B	7,226,424	1,028,507
Series F	266,047	173,651
Shares redeemed during the year:		
Series A	960,680	972,774
Series B	1,991,606	781,067
Series F	155,898	227,800
Shares outstanding, end of the year:		
Series A	6,444,974	6,357,986
Series B	8,138,118	2,903,300
Series F	424,183	314,034

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

4. FEES AND EXPENSES

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 in arrears from each Fund series.

The Fund pays a monthly service fee of 1/12 of 1% of the net asset value of the Series A and Series B 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 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 fiscal 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 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 fiscal quarter. The starting reference point for the next fiscal 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.

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.

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

5. INCOME TAX AND DISTRIBUTION (Continued...)

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.

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2009 was \$1,550,048 (2008 - \$1,113,783)

FRONT STREET CANADIAN EQUITY FUND
(Formerly Front Street Canadian Equity Fund Class)

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

7. RELATED PARTY TRANSACTIONS

Management fees of \$1,757,992 (2008 - \$Nil) were paid to the Manager during the year (see note 4). Management fees of \$Nil (2008 - \$2,650,826) were paid to the Investment Advisor, a company under common control to the Manager, during the year (see note 4). Performance fees of \$2,610,926 (2008 - \$Nil) were incurred with the Manager during the year (see note 4). Included in accrued expenses are \$310,214 (2008 - \$Nil) of management fees payable to the Manager. Included in accrued expenses are \$Nil (2008 - \$173,107) of management fees payable to the Investment Advisor. Performance fees payable reflects performance fees of \$2,610,926 (2008 - \$Nil) payable to the Manager.

701,429.261 (2008 - 28,487.222) of series B shares outstanding at year end representing 8.62% (2008 - 0.98%) of the series B shares of the Fund are held by the Partners of the Manager.

955.968 (2008 - 955.968) of series F shares outstanding at year end representing 0.23% (2008 - 0.30%) of the series F 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 year ended October 31, 2009 Tuscarora Capital Inc., a company under common control to the Manager, received \$2,424 (2008 - \$31,451) in commissions on portfolio transactions for the Fund.

Management fees 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.

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 generally accepted accounting principles ("GAAP NA") of an investment fund is required for financial reporting periods ending on or after October 31, 2007. 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.

FRONT STREET CANADIAN EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

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

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 October 31, 2009

	Transactional NAV	<u>Net Asset Value</u> Section 3855 Adjustment	GAAP NA	<u>Net Asset per Share</u> Transactional NAV GAAP NA	
Series A	\$ 57,607,038	\$ 88,405	\$ 57,695,443	\$ 8.94	\$ 8.95
Series B	72,781,471	111,596	72,893,067	8.94	8.96
Series F	3,640,381	5,544	3,645,925	8.58	8.60
Total Net Asset Value	\$ 134,028,890	\$ 205,545	\$ 134,234,435		

9. FINANCIAL INSTRUMENTS

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

As at October 31,

	2009	2008
Assets		
Held for trading	\$ 111,909,528	\$ 41,603,322
Cash and cash equivalents	17,679,071	31,058,692
Loans and receivables	<u>20,360,839</u>	<u>7,204,671</u>
Total Assets	<u>149,949,438</u>	<u>79,866,685</u>
Liabilities		
Held for trading	1,061,682	1,472,383
Other financial liabilities at amortized cost	<u>14,653,321</u>	<u>10,248,041</u>
Total liabilities	<u>15,715,003</u>	<u>11,720,424</u>
Net Assets	<u>\$ 134,234,435</u>	<u>\$ 68,146,261</u>

FRONT STREET CANADIAN EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2009

9. **FINANCIAL INSTRUMENTS** (Continued...)

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued, amounts receivable relating to accrued income, liabilities for portfolio assets purchased, performance fees payable, obligations from portfolio assets sold short, at fair value, accrued expenses and accounts payable relating to shares redeemed. 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 October 31, 2009, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

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.

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9. **FINANCIAL INSTRUMENTS** (Continued...)

ii) Currency risk (continued...)

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	\$ 394,063	\$ 312,337	\$ -	\$ 706,400	0.53%
Britain Pound Sterling	1,493,436	-	-	1,493,436	1.11%
United States Dollar	<u>3,802,117</u>	<u>2,194,183</u>	<u>-</u>	<u>5,996,300</u>	<u>4.47%</u>
	<u>\$ 5,689,616</u>	<u>\$ 2,506,520</u>	<u>\$ -</u>	<u>\$ 8,196,136</u>	<u>6.11%</u>

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 October 31, 2009, the bulk of the Fund's investments are substantially 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	\$ -	\$ 1,651,605	\$ 110,257,923	\$ 111,909,528
Other receivables	-	-	20,360,839	20,360,839
Cash and cash equivalents	<u>12,180,006</u>	<u>5,499,065</u>	<u>-</u>	<u>17,679,071</u>
Total	<u>\$ 12,180,006</u>	<u>\$ 7,150,670</u>	<u>\$ 130,618,762</u>	<u>\$ 149,949,438</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 1,061,682	\$ 1,061,682
Other financial liabilities	<u>-</u>	<u>-</u>	<u>14,653,321</u>	<u>14,653,321</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,715,003</u>	<u>\$ 15,715,003</u>
GAAP NA				<u>\$ 134,234,435</u>

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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	\$ 521,768	\$ 171,037	\$ -	\$ 958,800	\$ 110,257,923	\$ 111,909,528
Other receivables	20,360,839	-	-	-	-	20,360,839
Cash and cash equivalents	<u>5,499,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,180,006</u>	<u>17,679,071</u>
Total	<u>\$ 26,381,672</u>	<u>\$ 171,037</u>	<u>\$ -</u>	<u>\$ 958,800</u>	<u>\$ 122,437,929</u>	<u>\$ 149,949,438</u>
Financial liabilities						
Held for trading	\$ 492,873	\$ -	\$ -	\$ -	\$ 568,809	\$ 1,061,682
Other financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,653,321</u>	<u>14,653,321</u>
Total	<u>\$ 492,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,222,130</u>	<u>\$ 15,715,003</u>
GAAP NA						<u>\$ 134,234,435</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2009, the fair value of such assets was 4.7% (2008 - 5.3%) 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.

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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 October 31, 2009, the Fund had no significant investments in long term debt instruments.

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 from 2008.

The Fund does not have any externally imposed capital requirements.

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11. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2009 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

Assets at fair value as at October 31, 2009	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Investments, at fair value	\$ 93,531,059	\$ 10,259,340	\$ 6,467,524	\$ 110,257,923
Bonds	1,129,837	-	521,768	1,651,605
Short-term notes	-	5,499,065	-	5,499,065
	<u>\$ 94,660,896</u>	<u>\$ 15,758,405</u>	<u>\$ 6,989,292</u>	<u>\$ 117,408,593</u>
Liabilities at fair value as at October 31, 2009				
	Level 1	Level 2	Level 3	Total
Obligations from portfolio used, at fair value	<u>\$ 1,031,553</u>	<u>\$ 30,129</u>	<u>\$ -</u>	<u>\$ 1,061,682</u>
	<u>\$ 93,629,343</u>	<u>\$ 15,728,276</u>	<u>\$ 6,989,292</u>	<u>\$ 116,346,911</u>

During the year ended October 31, 2009 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Equities - long	Bonds
Balance at November 1, 2008	\$ 2,888,542	\$ 60,024
Purchases	5,831,628	929,026
Sales	-	(396,509)
Transfers out	(850,000)	-
Gains (losses)		
Realized	-	(49,784)
Unrealized	<u>(1,402,646)</u>	<u>(20,989)</u>
Balance at October 31, 2009	<u>\$ 6,467,524</u>	<u>\$ 521,768</u>

The security involved in the transfer out was reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings.

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12. SUBSEQUENT EVENT

On November 24, 2009 the shareholders of Front Street Mutual Funds Limited (the "Corporation") approved the special resolutions to authorize the amalgamation of the corporation with Front Street Special Opportunities Canadian Fund Ltd., another mutual fund corporation managed by Front Street Capital 2004. The effective date of the amalgamation was the close of business on December 1, 2009. The merger was accomplished by the amalgamation of these two mutual fund corporations under the Canada Business Corporations Act (Canada).

Upon amalgamation, Front Street Mutual Funds Limited was considered to be the continuing Fund for securities regulatory purposes. A new class of shares of Front Street Mutual Funds Limited was created, namely Front Street Special Opportunities Canadian Fund (of which Series A, B, F, X and Y shares were created). Existing shareholders of the Series A, Series B and Series F of Front Street Special Opportunities Canadian Fund Ltd. received Series X, Series Y and Series F shares respectively of Front Street Special Opportunities Canadian Fund class of shares of Front Street Mutual Funds Limited.