



CGI

Canadian General Investments,
Limited

3

THIRD QUARTER
SHAREHOLDER UPDATE

September 30, 2006

Regulations pertaining to the Company's reporting requirements have changed in 2006. CGI is considered a non-redeemable investment fund and is, as such, governed by National Instrument 81-106, which came into effect on June 1, 2005. Content and disclosure in the 2005 Annual Report were different than in previous years. It also means that, rather than producing three sets of quarterly financial statements (March 31, June 30 and September 30), along with a set of annual financial statements as before, CGI is only required to produce financial statements and a Management Report of Fund Performance (MRFP) after six months (June 30) and at year end.

However, in the interest of ongoing communications with shareholders, the Company plans to provide a brief, informal update at the end of the first and third quarters, including investment commentary.

Managed by:



MorganMeighen
& ASSOCIATES

Investment Managers

CANADIAN GENERAL INVESTMENTS, LIMITED

110 Yonge Street, Suite 1601, Toronto, Ontario, Canada M5C 1T4

Telephone: (416) 366-2931 Toll Free: 1-866-443-6097 Fax: (416) 366-2729

e-mail: cgifund@mmainvestments.com

website: www.mmainvestments.com

75 | YEARS
OF CANADIAN
SUCCESS

GENERAL COMMENTARY

Passing through several advances and corrections in the Canadian market in 2006 year to date, Canadian General Investments, Limited (CGI) has continued to perform well. Net asset value (NAV) return, with dividends reinvested, for the nine-month period to September 30, 2006 was 9.3% compared with the 6.2% total return for the benchmark S&P/TSX Composite Index and an average 4.8% for Canadian equity mutual funds, as reported in the Globe and Mail. CGI's market return to common shareholders was 7.1% year-to-date and 16.5% for the twelve months ended September 30.

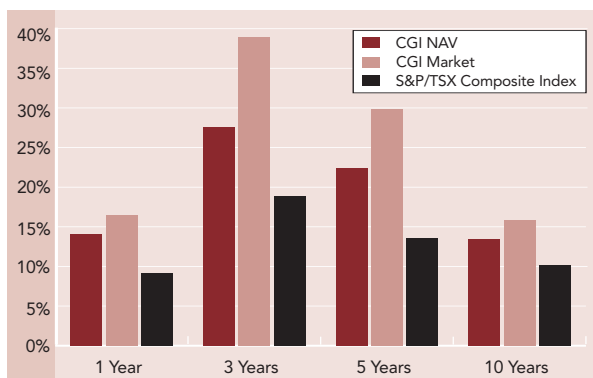
Positive portfolio results through the third quarter served to partially offset the \$67 million July payout, pursuant to the substantial issuer bid for outstanding warrants. The investment portfolio at the end of the third quarter was \$787.6 million, down \$46.1 million from the end of June 2006.

When considering dividends in the final quarter, the Board takes into account factors beyond portfolio success, including the present and anticipated condition of the stock market and the tradition for several years of relatively consistent yield. In recent years, CGI has provided common shareholders with a dividend yield of about 5%, through regular income and capital gains. Growth, however, continues to be the Company's primary objective.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Compound Annual Returns for the Periods to September 30, 2006



INVESTMENT COMMENTARY

PAUSE, RETREAT OR ONWARDS?

The central question for the portfolio management team at the start of the fourth quarter of 2006 relates to future performance, now that a long bull phase has lifted resources to about half the weighting of the Canadian stock market.

Viewing the following, we expect that CGI will remain focused on the resource sector through the current seasonal correction and beyond.

OIL & GAS

- In the western Canadian basin, producers now find it hard to generate even two-thirds of what we regard as normal gas production for that area. More wells must be drilled. Skilled people and equipment are getting harder to find.
- Oilsands projects are experiencing escalating costs and scarcity of labour. New processes might help limit the labour problem and increase the number of projects that can be brought into operation.
- Disruptions, political events, temperature and other aspects of weather will influence stock prices.
- More and more Canadian oil and gas companies are searching for growth opportunities in other countries.
- World economic growth will continue. For oil and gas prices, the longer term trend seems certain to be upwards.

A DIFFERENT ANGLE ON ENERGY

In uranium, we have increased companies held for exploration and production planning. Uranium is the most consistently rising metal in pricing terms and yet remarkably few publicly-listed companies are actual producers. The world's major, Cameco Corporation, has long been one of our largest portfolio holdings. It produces 20 million pounds of uranium and, through market access, supplies the global power industry at the 35 million pound level. The merging of Denison Mines Inc. and International Uranium Corporation, which is a Lundin Group interest, will set up a bigger No.2 in the North American market, targeting 5.5 million pounds. We have increased our investment in this group.

Buying Aurora Energy Resources, we have joined a new regional uranium play in Canada. It is the apparent "front runner" in Labrador, where the now historic British

Newfoundland Exploration Company (Brinex) made discoveries half a century ago. We also hold Paladin Resources which is moving towards production in Namibia and Malawi.

MINING TRANSFORMATION

In metals, years of low prices caused a lack of investment in new mines for a decade or more. However, a growing world is now experiencing a short supply, and high growth industrial sectors in China, India and other countries has pushed demand to new and sustainable levels. We are now experiencing the slow build up in mining, mostly in mid-tier projects throughout the world. Higher prices will lead to new development.

The top end of Canadian mining has been in a long de-listing transformation that has quickened this year with the buying out of the two great Sudbury Rim-based miners, Falconbridge Limited, which has gone to Xtrata, and Inco Limited which is close to absorption by Brazil's CVRD. The last major base metals miner left in the Canadian stock market is Teck Cominco Limited. At CGI, we increased exposure to Materials with Teck and Alcan Inc. We even moved to fill the vacuum with investment in Phelps Dodge Corporation, the last major U.S. base metals stock to survive the difficult years. Phelps could also be vulnerable now to a takeover.

Among our smaller capitalization holdings in mining is the revived HudBay Minerals Inc., known years ago as Hudson Bay Mining and Smelting, and EuroZinc Mining Corporation, which is currently merging with Lundin Mining Corporation. They are helping to fill the gap as new

multi-billion dollar market cap companies. HudBay is likely to expand on its Manitoba and New York State base, while the new Lundin Mining becomes a strengthened producer in zinc, copper and other metals.

Two other intermediate producers in our portfolio, First Quantum Minerals Ltd. and Inmet Mining Corporation, bought earlier this year, were juniors not long ago. We hold several juniors which could pay off handsomely in an extended bull market. Given the small relative size of these holdings, we regard the risk to the portfolio overall as low.

OUTSIDE OF RESOURCES

Non-resource holdings still have a majority weighting in the portfolio. Among recent additions is Tim Hortons Inc. This brand name leader in Canada is a large cap newcomer to the market. "Tims" is a surprise entrant in the S&P/TSX Composite Index, unusual recognition for a company still U.S. registered, following the spin-off from Wendy's International Inc. It should stay the dominant fast food chain in Canada and has room to grow. In the U.S., it seeks to expand more successfully than in the past. Another recent acquisition is Gildan Activewear Inc., a remarkably successful garment manufacturer with global supremacy in its lines.

We look for success in many of CGI's portfolio holdings and are optimistic for the remainder of the year.

On behalf of the Manager,

Michael A. Smedley
Chief Portfolio Officer

D. Greg Eckel
Senior Vice-President

SUMMARY OF INVESTMENT PORTFOLIO

as at September 30, 2006

Sector Allocation

		% of Net Assets*	% of Investment Portfolio
	(\$000's)		
Financials	226,838	39.5	28.8
Energy	155,093	27.0	19.7
Materials	153,322	26.7	19.5
Industrials	83,436	14.5	10.6
Consumer Discretionary	51,152	8.9	6.5
Information Technology	35,727	6.2	4.5
Telecommunication Services	31,990	5.6	4.0
Consumer Staples	24,837	4.3	3.2
Health Care	14,351	2.5	1.8
Utilities	10,954	1.9	1.4
Cash & Cash Equivalents	355	0.1	-

Asset Allocation

		% of Net Assets*	% of Investment Portfolio
	(\$000's)		
Canadian Equities	700,575	122.0	88.9
Canadian Income Trusts	47,237	8.2	6.0
Limited Partnerships	22,690	4.0	2.9
Preferred Shares	9,956	1.7	1.3
Foreign Equities	7,242	1.2	0.9
Cash & Cash Equivalents	355	0.1	-

SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)

Top 25 Holdings as at September 30, 2006

Issuer (all Canada-based)	Sector	% of Net Assets*	% of Investment Portfolio
TSX Group Inc.	Financials	3.8	2.7
Cameco Corporation	Energy	3.7	2.7
Rogers Communications Inc.	Telecommunication Services	3.5	2.5
BPO Properties Ltd.	Financials	2.7	1.9
First Capital Realty Inc.	Financials	2.4	1.7
Russel Metals Inc.	Industrials	2.4	1.7
HudBay Minerals Inc.	Materials	2.3	1.7
BMTC Group Inc.	Consumer Discretionary	2.3	1.7
Caldwell New York Limited Partnership**	Financials	2.3	1.7
Research In Motion Limited	Information Technology	2.2	1.6
Canadian Western Bank	Financials	2.2	1.6
Skye Resources Inc.	Materials	2.1	1.5
Home Capital Group Inc.	Financials	2.1	1.5
Brookfield Asset Management Inc.	Financials	2.1	1.5
Enbridge Inc.	Energy	2.1	1.5
National Bank of Canada	Financials	2.1	1.5
Corby Distilleries Limited	Consumer Staples	2.1	1.5
Algoma Central Corporation	Industrials	2.0	1.4
Bank of Montreal	Financials	1.9	1.4
Husky Energy Inc.	Energy	1.9	1.4
TransCanada Corporation	Energy	1.8	1.3
ING Canada Inc.	Financials	1.8	1.3
Inco Limited	Materials	1.8	1.3
Ritchie Bros. Auctioneers Incorporated	Industrials	1.7	1.2
Caldwell New York LP IV**	Financials	1.7	1.2
		57.0*	41.0
Total Net Assets* (\$000's)			\$ 574,179
Total Investment Portfolio* (\$000's)			\$ 787,640

* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$210 million), other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$0.4 million.

** The primary underlying assets of these two limited partnerships are shares in NYSE Group, Inc. In aggregate, CGI's holding in these two limited partnerships represents 4.0% of Net Assets, or 2.9% of the Investment Portfolio.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at www.mmainvestments.com, by calling 416-366-2931 (Toll-free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values and past performance is no assurance or indicator of future returns. Historical returns assume the reinvestment of all distributions. Share prices, net asset values and investment returns will fluctuate. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return.