

Annual Management Report of Fund Performance

**B.C. ADVANTAGE FUNDS (VCC) LTD.
ADVANTAGE STRUCTURED FUND I**

Year ended December 31, 2010

This annual management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Structured Fund I (the Fund). You may contact us by calling 604-688-6877, by writing us at 1280 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 or by visiting our website at www.bcadvantagefunds.com to request a copy, at no cost to you, of the Fund's financial statements, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure. You may also obtain a copy of the Fund's financial statements at www.sedar.com.

ADVANTAGE STRUCTURED FUND I

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Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund invests in a diversified portfolio of emerging clean-tech, life science, and technology companies with the objective of providing long-term capital appreciation to investors.

For the year ending December 31, 2010 and up to March 1, 2011, the Advantage Structured Fund I is actively raising new capital and investing this capital in emerging clean-tech, life science, and technology companies and is open to new investors who are clients of certain selling agents who represent to the Fund that their clients will subscribe for at least \$10,000,000 in the Fund over a two year period. Investors receive a 30% refundable tax credit at the time of investment. The companies in which the Fund invests must be eligible businesses in accordance with the B.C. Small Business Venture Capital Act ("SBVCA"). In general, this means companies based in B.C. that have less than 100 employees and carry on a business activity as specified in the SBVCA.

The Fund's strategy for achieving its objective is to invest in early stage biotech, information technology and industrial technology companies. The Fund invests in companies with superior technology, large market opportunities and experienced management. Portfolio companies include private and public companies, as well as companies from the start-up stage through to revenue generation. Where appropriate, the Fund seeks to build and mentor management in emerging companies to enhance shareholder value.

Risk

An investment in the Fund is highly speculative and carries significant risk. An investment in the Fund is a long-term investment. Over the fiscal year, no material or significant changes occurred that affected the overall risk level associated with the Fund.

The risks of investing in the Fund include a relatively large proportion of private company investments and early-stage concentration. A significant portion of the Fund's investments are in these private companies, for which no ready market exists. Valuation of private companies for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

The Fund relies on the allocation of tax credits provided to investors by the administrator of the SBVCA to raise new funds. Issuance of tax credits is discretionary and cannot be guaranteed. The SBVCA administrator has authorized tax credits that will allow BC Advantage Funds (VCC) Ltd. ("Advantage") to raise up to an additional \$10 million in each of 2010, 2011 and 2012, which includes all Advantage funds managed by Lions Capital Corp. ("Fund Manager"). Thereafter, Advantage has been provided a rolling three year allocation. If the Fund either cannot raise additional funds or contravenes the SBVCA and has to repay tax credits, it may impair the Fund's ability to carry on business and meet its investment objectives.

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Management Discussion of Fund Performance (continued)

Risk (continued)

There is no market for the Fund's shares, and no market is expected to develop. Investors will not, typically, be able to dispose of their investment other than by way of redemption. In accordance with the SBVCA, investments in portfolio companies must be held for at least five years. As such, an investor's redemption of the Fund's shares is prohibited for at least five years from the date the Fund invests in eligible companies in accordance with the SBVCA. Practically speaking, investors will not be able to redeem their investment for six to seven years from the date they invested in the Fund.

Impact of market conditions

The credit crisis and global economic downturn had impacted and are expected to continue to impact operating conditions for companies in all sectors and, at least in the near-term, valuations of all companies. The Fund invests in emerging clean-tech, life science, and technology companies in British Columbia. These companies are normally subject to a great degree of risk and, in order to achieve their business objectives, generally have capital requirements in excess of their available resources. Typically in times of market turmoil, companies with smaller capitalizations have a tendency to show greater volatility, which is also the case in market recoveries. The Fund Manager is working closely with the majority of its portfolio investments, including both publicly-traded and privately-held investments, in an effort to ensure their viability and ultimate success so as to provide long-term capital appreciation to the investors.

Results of Operations

Investment Activity

During the year ended December 31, 2010, the Fund completed investment of \$1.90 million in 2 new and existing venture investments. As at December 31, 2010 the fair value of the Fund's portfolio investments represented 97% of the net assets of the Fund, while cash and other net assets represented 3% of net assets.

The following table summarizes the composition of the Fund's investment portfolio:

	2010	2009
Venture Investments, Cost	\$ 3,650,008	\$ 800,000
Venture Investments, Fair Value	4,086,120	675,000
Number of Venture Investments:		
Private	3	2
Public	2	1
Life Science	2	1
Technology	3	2

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Management Discussion of Fund Performance (continued)

Results of Operations (continued)

Investment Activity (continued)

Fair value of investments:

Of the fair value of the Fund's investments, \$1.69 million or 41% are life science companies and \$2.40 million or 59% are technology companies. Of the fair value of the Fund's investments, \$1.69 million or 41% are public companies and \$2.40 million or 59% are private companies.

Number of investments:

Of the number of the Fund's investments, 40% are life science companies and 60% are technology companies. Of the number of the Fund's investments, 40% are public companies and 60% are private companies.

Investment Performance

Over the year ended December 31, 2010, the Fund's net asset value per share increased by \$1.20. The increase in net asset value per share was principally due to shares were sold at a fixed price of \$10 and an increase in the unrealized gain, which is offset by operating costs incurred by the Fund in excess of investment income (see section entitled "Financial Highlights").

The Fund's management expense ratio (MER) was 7.18% for the year ended December 31, 2010. Management expense ratio is based on the total expenses incurred by the Fund inclusive of management fees, all operating costs, and share issuance costs related to marketing and subscription of shares for the stated year ended December 31, 2010.

Recent Developments

The Fund is managed by Lions Capital Corp. (the Fund Manager). The Fund invests in a diversified portfolio of emerging clean-tech, life science, and technology companies with the objective of providing long-term capital appreciation to investors. The Fund Manager has adopted the strategy of investing early in companies with superior technology for the Fund.

Suspension of Redemptions:

Effective May 3, 2010, BC Advantage Funds (VCC) Ltd. temporarily suspended redemptions of shares of the Fund. Under the SBVCA, only monies from investment income, capital gains and the proceeds of disposition of investments held for five years or more may be used to finance redemptions. The Fund currently does not have sufficient funds allowable under the SBVCA to meet their redemptions. Upon achieving sufficient liquidity, redemptions will be reinstated and will be processed in the chronological order the shares became redeemable under the SBVCA.

ADVANTAGE STRUCTURED FUND I

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Management Discussion of Fund Performance (continued)

Recent Developments (continued)

Advantage Structured Fund II:

Effective May 10, 2010 all Advantage Structured Fund II common shares were exchanged for Advantage Structured Fund I common shares. Each Advantage Structured Fund II common share was exchanged for one Advantage Structured Fund I common shares as both funds are offered at \$10 per share in accordance with the prospectus. This resulted in the issuance of 140,188 Advantage Structured Fund I common shares. The exchange was approved by resolution of the Advantage's Board of Directors. The results of the Advantage Structured Fund II have been included in the financial statements of the Advantage Structured Fund I since May 7, 2010.

Accounting Policy Changes:

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. For investment companies, however, the AcSB agreed to extend the option to defer their changeover by two years to January 1, 2013. As a publicly accountable investment company, the Company will be required to prepare financial statements, including comparative information, in compliance with IFRS, in all financial reporting prepared subsequent to January 1, 2013.

Related party transactions

In accordance with the management agreement between the Fund and the Fund Manager, the Fund Manager receives management fees equal to 2.75% of the net asset value of the Fund, calculated and paid monthly. Also in accordance with the management agreement, separate from the management fee, the Fund reimburses the Fund Manager for expenses incurred by the Fund Manager in connection with its obligations pursuant to the management agreement. The Fund Manager may also earn an equity participation amount based on the realized gains and cumulative performance of the Fund. As at December 31, 2010 equity participation amounts of \$128,889 have been accrued on the Fund's financial statements.

Related party transactions are disclosed in note 9 of the Fund's audited financial statements for the year ended December 31, 2010.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 2010. This information is derived from the Fund's audited annual financial statements. The Fund commenced operations on July 20, 2009.

The Fund's Net Assets per Share⁽³⁾

	2010	2009
Net assets, at inception	\$ -	\$ -
Net assets, beginning of year	8.07	-
Issuance of shares (average)	9.91	9.98
Less: Share issue costs (average)	(1.00)	(0.84)
Increase (decrease) from operations:		
Total revenue	0.02	0.00
Total expenses ⁽²⁾	(0.72)	(0.28)
Unrealized gain (loss) for the year	1.33	(1.45)
Total increase (decrease) from operations ⁽¹⁾	0.63	(1.73)
Net assets at December 31 ⁽¹⁾	\$ 9.27	\$ 8.07

⁽¹⁾ Net assets are based on the actual number of shares outstanding as at December 31 in the year shown. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. For these reasons, net assets per share at December 31 is not represented by net assets, at inception or beginning of year adjusted for share issuance transactions and operating results.

⁽²⁾ Total expenses include any income tax expense or recovery. For additional information see the Fund's annual audited financial statements.

⁽³⁾ Net assets per share are presented in accordance with Canadian generally accepted accounting principles (GAAP). Subscriptions and redemptions of common shares of the Fund are transacted at the Net Asset Value per Share of the Fund. The Net Asset Value per Share, which is a non-GAAP measure, is described in detail in the Fund's prospectus and is reconciled in note 7(d) of the Fund's financial statements for the year ended December 31, 2010.

Ratios and Supplemental Data

	2010	2009
Net assets (000's) ⁽¹⁾	\$ 4,215	\$ 1,180
Number of shares outstanding ⁽¹⁾	454,834	146,206
MER ⁽²⁾	7.18	25.04%

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on the total expenses incurred by the Fund inclusive of management fees, all operating costs and share issuance costs related to marketing and subscription of shares for the stated year, but excluding income taxes.

ADVANTAGE STRUCTURED FUND I

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Financial Highlights (continued)

Ratios and Supplemental Data (continued)

Portfolio turnover information has not been provided as the Fund invests in venture stage companies which, on average, are held for five to seven years. Similarly, a trading expense ratio has not been provided as the Fund neither engages in active trading, nor purchases securities in the secondary market.

Management Fees

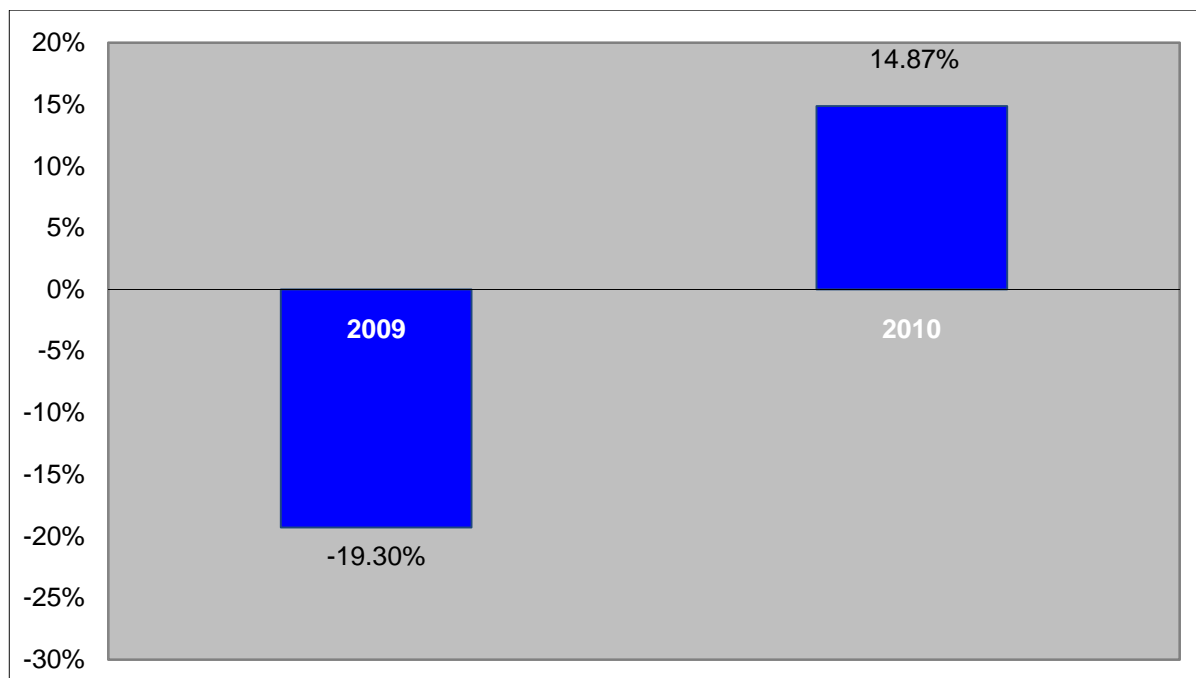
The Fund pays management fees of 2.75% of the net asset value of the Fund, calculated and paid monthly. In consideration for these management fees, the Fund Manager provides day to day management over the Fund and the Fund's venture investment portfolio, including sourcing and administration of all venture investments. The Fund Manager may also earn an equity participation amount based on realized gains and cumulative performance of the Fund. Additional information regarding equity participation is disclosed in note 7(c) of the Fund's financial statements for the year ended December 31, 2010.

Past Performance

The Fund's returns are not guaranteed, the values of its shares change frequently and past performance may not be repeated nor can it be used as an indicator of future performance.

Year by Year Returns

The chart below reflects the Fund's performance for the year ending December 31, 2010. The chart shows in percentage terms how an investment would have increased or decreased in the last 5 months of the fiscal year 2009 and increased or decreased by the last day of fiscal year 2010.



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Past Performance (continued)

Annual Compound Returns

The following chart shows the Fund's return as compared to the Globefund Retail Venture Capital Index (comprised of 96 retail venture capital investment funds), as at December 31, 2010.

	Advantage Structured Fund I	Globefund Industry Average
1 Year	14.87%	(0.37)%
Since inception	(5.09)	(2.55)

Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at December 31, 2010. This is a summary only and may change due to portfolio activity in the Fund. A quarterly update is available on request.

	Fair value	Percentage of total net assets
Life Science companies	\$ 1,686,112	40%
Technology companies	2,400,008	57
Total Venture Investments	4,086,120	97
Cash and Cash Equivalents and Restricted Cash	295,116	7
Other Assets less Liabilities	(165,933)	(4)
Net Assets at December 31, 2010	\$ 4,215,303	100%

	Percentage of total net assets
Public:	
Protox Therapeutics Inc.	38%
Urodynamix Technologies Ltd.	2
Private:	
Endurance Wind Power Inc.	33
In Motion Technology Inc.	12
Redlen Technologies Inc.	12
Total Venture Investments	97%
