

Interim Management Report of Fund Performance

**B.C. ADVANTAGE FUNDS (VCC) LTD.  
ADVANTAGE VENTURE FUND**

Six months ended June 30, 2011

This interim management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Venture Fund (the Fund). You may contact us by calling 604-688-6877, by writing us at 1500 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 or by visiting our website at [www.bcadvantagefunds.com](http://www.bcadvantagefunds.com) to request a copy, at no cost to you, of the Fund's financial statements, proxy voting policies and procedures and proxy voting disclosure record. You may also obtain a copy of the Fund's financial statements at [www.sedar.com](http://www.sedar.com).

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## Management Discussion of Fund Performance

### Investment Objectives and Strategies

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

The Fund is no longer actively raising new capital but will continue to invest in emerging life science and technology companies with the previously raised capital in accordance with to the pacing requirements as outlined in the B.C. Small Business Venture Capital Act (SBVCA). The companies in which the Fund invests must be eligible businesses in accordance with the 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 interim period, 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 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.

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.

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## Management Discussion of Fund Performance (continued)

### Impact of market conditions

The credit crisis and global economic downturn in 2008 has continued to impact operating conditions for companies in all sectors and valuations of all companies. The Fund invests in 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. While the portfolio of emerging technology companies has continued to mature, achieving liquidity through sales of portfolio investments has been challenging, as has raising new capital for follow-on investments into the portfolio companies. 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 six months June 30, 2011, the Fund completed investment of \$0.72 million in 2 existing venture investments, and disposed of 2 venture investments for which the Fund received proceeds of \$0.10 million and wrote off 1 venture investments for which the Fund realized a net loss of \$4.81 million. As at June 30, 2011, the fair value of the Fund's portfolio investments represented 94% of the net assets of the Fund, while cash and other net assets represented 6% of net assets.

The following table summarizes changes in the composition of the Fund's investment portfolio in comparison to the prior fiscal year:

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	2011	2010
Venture Investments, Cost	\$ 46,173,874	\$ 50,369,983
Venture Investments, Fair Value	42,230,689	48,688,702
Number of Venture Investments:		
Private	18	21
Public	15	16
Life Science	3	5
Technology	10	11
	8	10

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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, \$30.95 million or 73% are life science companies, and \$11.28 million or 27% are technology companies. Of the fair value of the Fund's investments, \$11.74 million or 28% are public companies, and \$30.49 million or 72% are private companies.

##### Number of investments:

Of the number of the Fund's investments, 56% are life science companies and 44% are technology companies. Of the number of the Fund's investments, 83% are private companies and 17% are public companies.

#### *Investment Performance*

During the six months ended June 30, 2011, the Fund's net asset value per share decreased by \$0.99. The decrease in net asset value per share was due to realized loss on venture investments, operating costs incurred by the Fund in excess of investment income, and the unrealized loss on venture investments (see section entitled "Financial Highlights").

The Fund's management expense ratio (MER) was 4.46% for the six months ended June 30, 2011 as compared to 4.68% for fiscal 2010. Management expense ratio is based on the total expenses incurred by the Fund inclusive of management fees and all operating costs for the stated period. The MER for the semi-annual period is an annualized amount.

#### **Recent Developments**

The Fund is managed by Lions Capital Corp. (the Fund Manager). Consistent with prior periods, the Fund invests in a diversified portfolio of emerging life science and technology companies with the objective of providing long-term capital appreciation to investors. For 2011 and all subsequent years, the Fund Manager will not be investing in any new companies but will instead focus on the existing portfolio companies.

Effective May 3, 2010, BC Advantage Funds (VCC) Ltd. 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. The date that redemptions will be reinstated is not able to be determined at this time.

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## Management Discussion of Fund Performance (continued)

### Recent Developments (continued)

Effective March 2011, the Fund Manager of the Fund has volunteered to reduce management fee from 2.75% to 1.25% in respect of all capital that is eligible for, but currently suspended from, redemption. The management fee in relation to capital that is not yet eligible for redemption will remain at 2.75%. The Fund Manager has also decided to waive its performance fees until redemptions have been reinstated. If the Fund Manager earns performance fees in the interim, the fees will be accrued but will not be paid until redemptions are reinstated.

### 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 can receive management fees equal to 1.25% in respect of all capital that is eligible for, but currently suspended from, redemption. The management fee in relation to capital that is not yet eligible for redemption will remain at 2.75%. The management fees is 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. To date, total cumulative equity participation amounts of \$40,884 have been paid to the Fund Manager. As at June 30, 2011, equity participation amounts of \$132,849 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 six months ended June 30, 2011.

### 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 past five years. This information is derived from the Fund's unaudited semi-annual audited annual financial statements. The Fund commenced operations on October 1, 2002.

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### Financial Highlights (continued)

#### The Fund's Net Assets per Share<sup>(3)</sup>

	2011	2010	2009	2008	2007
Net assets, beginning of year	\$ 6.39	\$ 7.33	\$ 6.77	\$ 8.82	\$ 7.95
Increase (decrease) from operations:					
Total revenue	-	0.01	0.01	0.13	0.13
Total expenses <sup>(2)</sup>	(0.14)	(0.32)	(0.33)	(0.39)	(0.39)
Realized gain (loss) for the period	(0.58)	(1.16)	(0.05)	0.03	--
Unrealized gain (loss) for the period	(0.27)	0.54	0.96	(1.90)	0.93
Total increase (decrease) from operations <sup>(1)</sup>	(0.99)	(0.93)	0.59	(2.13)	0.67
Net assets value, end of period <sup>(1)</sup>	\$ 5.40	\$ 6.39	\$ 7.33	\$ 6.77	\$ 8.82

(1) Net assets are based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2011. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. For these reasons, the net assets per share at December 31 or June 30, 2011 is not represented by the net assets, beginning of year adjusted for the net increase (decrease) from operations.

(2) Total expenses include any income tax expense or recovery. For additional information see the Fund's interim 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 six months ended June 30, 2011.

### Ratios and Supplemental Data

	2011	2010	2009	2008	2007
Net assets (000's) <sup>(1)</sup>	\$ 45,040	\$ 53,305	\$ 48,064	\$ 41,760	\$ 46,751
Number of shares outstanding <sup>(1)</sup>	8,334,046	8,340,704	6,554,382	6,171,536	5,299,900
MER <sup>(2)</sup>	4.45%	4.68%	5.47%	5.80%	8.20%

(1) This information is provided as at December 31 of the year shown or June 30, 2011.

(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.

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## Financial Highlights (continued)

### Ratio 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

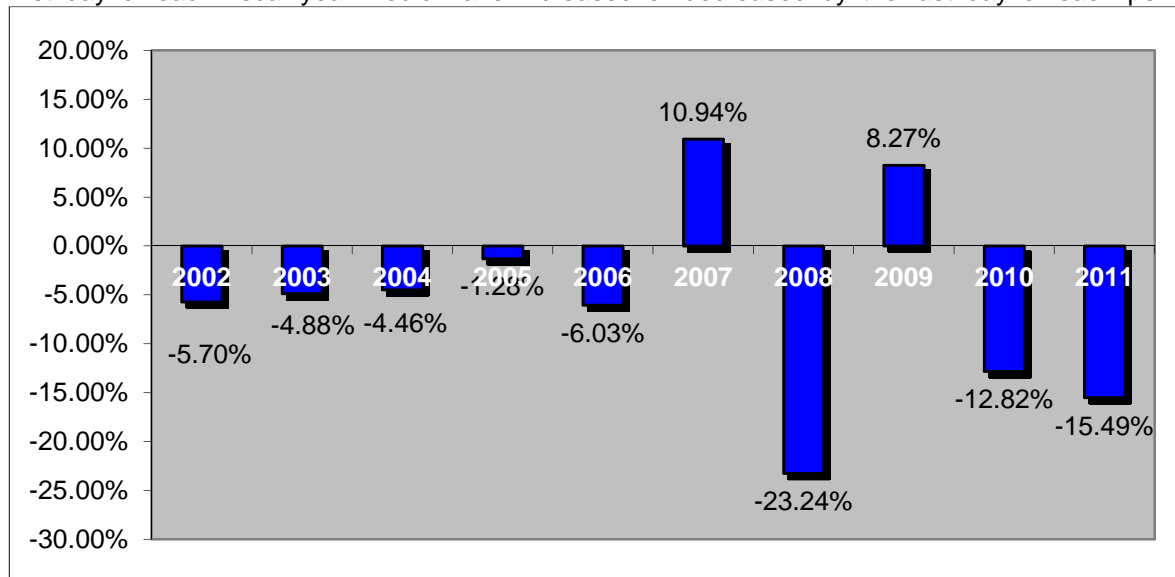
Prior to March 2011, the Fund pays management fees of 2.75% of the net asset value of the Fund. Effective March 2011, the management fee is reduced for a portion of the net asset value to 1.25%. Please see current developments section for more details. The fees are calculated and paid monthly. In consideration for these management fees, the Fund Manager provides day to day management of 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 six months ended June 30, 2011.

### 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 annual performance since inception in 2002 to December 31, 2010, for the semi-annual period ended June 30, 2011, and illustrates how the Fund's performance has changed from year to year. The chart shows in percentage terms how an investment made on the first day of each fiscal year would have increased or decreased by the last day of each period.



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## Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at June 30, 2011. This is a summary only and may change due to portfolio activity in the Fund. A quarterly update is available on request.

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	Fair value	Percentage of total net assets
Life Science companies	\$ 30,947,761	69%
Technology companies	11,282,928	25
Total Venture Investments	42,230,689	94
Cash and Cash Equivalents and Restricted Cash	3,507,330	8
Other Assets less Liabilities	(698,332)	(2)
Net Assets at June 30, 2011	\$ 45,039,687	100%

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	Percentage of total net assets
Public:	
Allon Therapeutics Inc.	6%
Protox Therapeutics Inc.	19
Urodynamix Technologies Ltd.	2
Private:	
Aphrodite Therapeutics Inc.	-
Aquinox Pharmaceuticals Inc.	12
CHR Investment Corp.	-
Contech Inc.	19
Contigo Systems Inc.	5
Endurance Wind Power Inc.	1
Inimex Pharmaceuticals Inc.	4
In-Motion Technology Inc.	3
Methylation Sciences Inc.	4
Mobidia Technology Inc.	9
Paradigm Environmental Technologies Inc.	-
Recombo Inc.	1
Redlen Technologies Inc.	4
Sensific Technologies Inc.	-
Sirius Genomics Inc.	5
Total Venture Investments	94%

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