

Semi-Annual Management Report of Fund Performance

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

Six months ended June 30, 2007

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 1280 - 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, proxy voting disclosure record, or quarterly portfolio disclosure. You may also obtain a copy of the Fund's financial statements at [www.sedar.com](http://www.sedar.com).

# ADVANTAGE VENTURE FUND

Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

---

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

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.

The Fund is actively raising new capital and investing this capital in emerging life science and technology companies. 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. 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.

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 the Fund to raise up to an additional \$10 million in each of 2007, 2008 and 2009. Thereafter, the Fund 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.

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.

# ADVANTAGE VENTURE FUND

Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

---

## Management Discussion of Fund Performance (continued)

### Results of Operations

#### *Investment Activity*

During the six months ended June 30, 2007, the Fund completed investment of \$4.63 million in 5 new and existing venture investments. As at June 30, 2007, the fair value of the Fund's portfolio investments represented 67% of the net assets of the Fund, while cash and other net assets represented 33% of net assets.

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

---

	June 30 2007	2006
Venture Investments, Cost	\$ 22,429,078	\$17,797,046
Venture Investments, Fair Value	29,527,919	16,825,222
Number of Venture Investments:		
Private	18	17
Public	11	10
Life Science	7	7
Technology	9	9
	9	8

---

The Fund did not dispose of any venture investments during the year.

#### Fair value of investments:

Of the fair value of the Fund's investments, \$23.20 million or 79% are life science companies and \$6.33 million or 21% are technology companies. Of the fair value of the Fund's investments, \$13.66 million or 46% are public companies and \$15.87 million or 54% are private companies.

#### Number of investments:

Of the number of the Fund's investments, 50% are life science companies and 50% are technology companies. Of the number of the Fund's investments, 61% are private companies and 39% are public companies.

#### *Investment Performance*

Over the past six months, the Fund's net to value per share (NAVPS) increased by \$1.45. The increase in NAVPS was principally due to an increase in the unrealized gain on venture investments was partially offset by operating costs incurred by the Fund in excess of investment income.

The Fund's management expense ratio (MER) was 6.39% for the six months ended June 30, 2007 (fiscal 2006 – 8.36%) before equity participation amounts and 11.49% including contingent equity participation accruing on unrealized gains for the interim period (fiscal 2006 – 8.36%). The MER for the semi-annual period is an annualized amount.

# ADVANTAGE VENTURE FUND

Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

---

## Management Discussion of Fund Performance (continued)

### *Investment Performance (continued)*

MER 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 period.

### **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. The Fund Manager has maintained the Fund's strategy of investing early in companies with superior technology.

The Canadian Institute of Chartered Accountants has issued Handbook Section 3855, "Financial Instruments - Recognition and Measurement" (S3855) which applies to fiscal years beginning on or after October 1, 2006. The adoption of S3855 impacts the calculation of the net asset value of the Fund for financial reporting purposes because it requires publicly-traded investments to be valued using closing bid prices rather than the last sale price as was the prior accounting policy of the Fund. As a result of the adoption of this policy, the Fund recorded a transitional adjustment to unrealized appreciation/depreciation of investments as disclosed in the Fund's Statement of Changes of Net Assets for the six months ended June 30, 2007.

S3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund, be charged to income from operations in the period incurred. There is no impact on net assets, results of operations or earnings per share as a result of this change in accounting policy.

The requirements of S3855 have been implemented by the Fund on a prospective basis effective January 1, 2007.

### **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. During the six months ended June 30, 2007, equity participation amounts of \$2,002,034 (fiscal 2006 – nil) were accrued by the Fund, payment of which is contingent upon realization of related gains and continued achievement of the Fund's performance criteria as disclosed in the Fund's financial statements for the six months ended June 30, 2007.

Related party transactions are disclosed in note 9 of the Fund's financial statements for the six months ended June 30, 2007.

# ADVANTAGE VENTURE FUND

## Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

### 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 four and three quarter years. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements. The Fund was incorporated on October 1, 2002.

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

	June 30					
	2007	2006	2005	2004	2003	2002
Net asset value, beginning of year	\$ 7.95	\$ 8.46	\$ 8.57	\$ 8.97	\$ 9.43	\$ -
Net asset value, on inception	-	-	-	-	-	10.00
Increase (decrease) from operations:						
Total revenue	0.07	0.16	0.14	0.13	0.01	-
Total expenses(2)	(0.60)	(0.31)	(0.32)	(0.67)	(1.43)	(1.15)
Unrealized gain for the period	1.91	(0.41)	0.16	0.05	-	-
Total increase (decrease) from operations <sup>(1)</sup>	1.38	(0.56)	(0.02)	(0.59)	(1.42)	(1.15)
Transition adjustment pursuant to adoption of new accounting policy S3855	(0.01)	-	-	-	-	-
Net asset value, end of period <sup>(1)</sup>	\$ 9.40	\$ 7.95	\$ 8.46	\$ 8.57	\$ 8.97	\$ 9.43

(1) Net asset value is based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2007. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) Total expenses in 2007 include an income tax recovery of \$0.08 (fiscal 2006 - \$0.12) per share. For additional information see the Fund's interim financial statements.

(3) Net asset value per share is presented in accordance with Canadian generally accepted accounting principles (GAAP). Subscriptions and redemptions of common shares of the Fund are transacted at the Pricing Net Asset Value per Share of the Fund. The Pricing 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(e) of the Fund's financial statements for the six months ended June 30, 2007.

### Ratios and Supplemental Data

	June 30					
	2007	2006	2005	2004	2003	2002
Net asset value (000's) <sup>(1)</sup>	\$ 43,909,273	\$ 27,421	\$ 20,286	\$ 10,522	\$ 2,717	\$ 24
Number of shares outstanding <sup>(1)</sup>	4,673,241	3,449,738	2,397,335	1,227,752	318,818	7,500
MER before equity participation amounts	6.39%	8.36%	9.06%	14.49%	80.80%	12.18%
Equity participation, net of change in contingent equity participation	5.10	-	-	-	-	-
Total MER <sup>(2)</sup>	11.49%	8.36%	9.06%	14.49%	80.80%	12.18%

(1) This information is provided as at December 31 of the year shown or June 30, 2007.

(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, and is expressed as an annualized percentage of the weighted average net assets during the year.

# ADVANTAGE VENTURE FUND

## Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

---

### 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

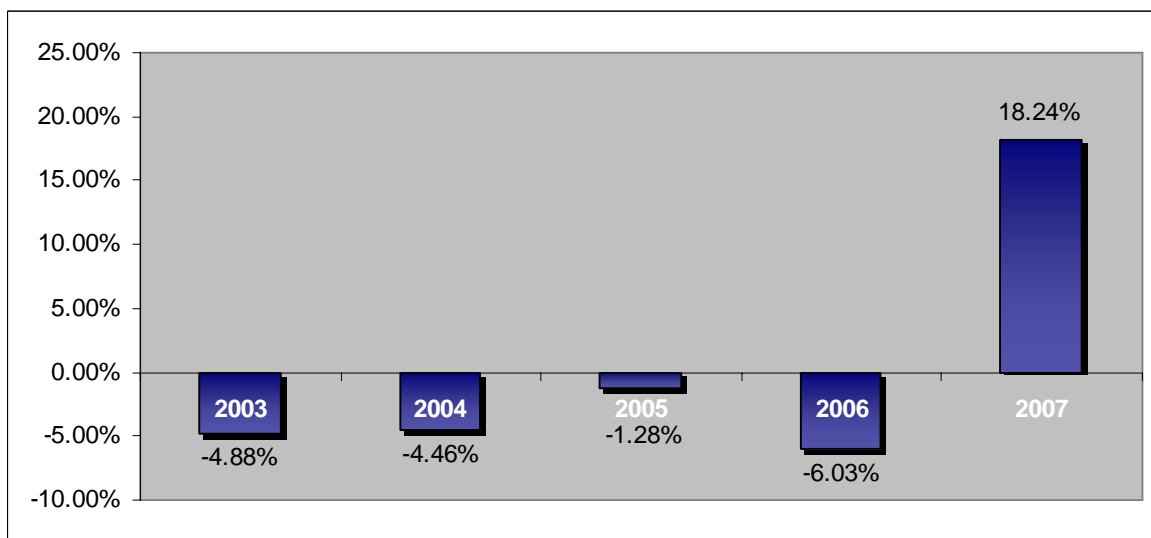
The Fund pays management fees of 2.75% of the net asset value of the Fund, calculated and paid monthly. In consideration for these management fees, the Fund Manager provides day to day management over the Fund and the Fund's venture investment portfolio, including sourcing and administration of all venture 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 six months ended June 30, 2007.

#### 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 from January 1, 2003 to December 31, 2006 and for the semi-annual period ended June 30, 2007 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.



# ADVANTAGE VENTURE FUND

Semi-Annual Management Report of Fund Performance

Six months ended June 30, 2007

## Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at June 30, 2007. 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	\$ 23,193,600	53%
Technology companies	6,334,319	14
Total Venture Investments	29,527,919	67
Cash and Cash Equivalents and Restricted Cash	16,280,065	37
Other Assets less Liabilities	(1,898,711)	(4)
Net Asset Value at June 30, 2007	\$ 43,909,273	100%

	Percentage of total net assets
Public:	
Allon Therapeutics Inc.	8%
IP Applications Corp.	-
Medical Ventures Corp.	1
Protox Therapeutics Inc.	14
Urodynamix Technologies Ltd.	6
Vigil Health Solutions Inc.	-
Voice Mobility International Inc.	1
Private:	
Aquinox Pharmaceuticals Inc.	5
Celeres Systems Inc.	-
Contigo Systems Inc.	2
Galeforce Solutions Inc.	2
Inimex Pharmaceuticals Inc.	2
Mobidia Technology Inc.	4
NxtGen Emission Controls Inc.	5
OncoGenex Technologies Inc.	2
Phero Tech International Inc.	10
Sirius Genomics Inc.	5
Vectis Technologies Inc.	-
Total Venture Investments	67%